

**COLORADO GENERAL ASSEMBLY
JOINT BUDGET COMMITTEE**



**FY 2015-16 STAFF BUDGET BRIEFING
DEPARTMENT OF REVENUE**

**JBC Working Document - Subject to Change
Staff Recommendation Does Not Represent Committee Decision**

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JBC Staff Budget Briefing: FY 2015-16
Staff Working Document – Does Not Represent Committee Decision

TABLE OF CONTENTS

| | |
|--|----|
| Department Overview | 1 |
| Department Budget: Recent Appropriations..... | 2 |
| Department Budget: Graphic Overview | 3 |
| General Factors Driving the Budget | 5 |
| Summary: FY 2015-16 Appropriation and FY 2015-16 Request..... | 17 |
| Issues: | |
| Statewide Marijuana Tax Cash Fund Requests and Proposition AA TABOR Refund ... | 19 |
| R1 DMV Funding Deficit | 26 |
| R2 Colorado Automated Testing System (CATS) Maintenance and Support | 30 |
| Appendices: | |
| A - Numbers Pages | 34 |
| B - Recent Legislation Affecting Department Budget | 64 |
| C - Update on Long Bill Footnotes and Requests for Information..... | 79 |
| D - Indirect Cost Assessment Methodology | 80 |
| E - LCS TABOR Refund Mechanism Memo..... | 81 |

DEPARTMENT OF REVENUE

Department Overview

The Department of Revenue regulates, enforces and administers the state's tax laws, issues and maintains records related to driver's licenses, vehicle emission testing stations, registration and titling of motor vehicles, limited stakes gaming, liquor and tobacco retailers, horse racing and pari-mutuel betting, the automobile sales industry, and medical and recreational marijuana retailers, growing facilities, and manufacturing facilities. In addition, the Department operates the State Lottery, including state and multi-state games. The Department is divided into six divisions/business groups, four of which provide services to the citizens of the State, while the other two provide support for the four service providers.

The *Executive Director's Office* provides overall leadership and administration for the Department, including the Executive Director, a citizens' advocate, the central budget office, accounting and financial services, internal audit, human resources administration, and the Office of Research and Analysis. The *Information Technology Division* is responsible for the maintenance and support of the Department's information technology systems that are not maintained and supported by the Governor's Office of Information Technology.

The *Taxation Business Group*:

- Is responsible for the collection, administration, and enforcement of individual and corporate income taxes, sales and use taxes, gasoline and special fuel taxes, and severance taxes, as well as all other taxes collected by the state.
- Provides assistance and information to taxpayers about compliance with Colorado's tax laws.
- Attempts to resolve taxpayer disputes before they reach the court system.
- Administers the cigarette tax rebate and the Amendment 35 distribution of cigarette taxes to the cities and counties.
- Administers the Old Age Heat and Fuel and Property Tax Rebate Program.
- Administers the Commercial Vehicle Enterprise Sales Tax Refund.

The *Division of Motor Vehicles*:

- Responsible for enforcement and administration of the laws governing driver licensing and vehicle registration.
- Licenses drivers, maintains records of licensed drivers, and applies administrative sanctions against drivers who violate traffic laws, including for drunk driving and for excessive points on their licenses.
- Oversees the vehicle emissions testing stations (including mobile testing stations).
- Registers and titles motor vehicles.
- Administers the motor vehicle insurance identification database to prevent the registration of vehicles that are not insured.

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Staff Working Document – Does Not Represent Committee Decision

The Enforcement Business Group:

- Regulates and enforces laws related to the limited stakes gaming industry in three historic mining towns.
- Enforces laws regarding liquor and tobacco retailers, including laws against selling those products to minors, and licenses retailers and special events where alcohol is served.
- Regulates horse racing (dog racing is currently inactive) and pari-mutuel betting (including off-track betting).
- Regulates retailers and sales agents in the motor vehicle sales industry.
- Regulates medical and recreational marijuana dispensaries, cultivation, and manufacturing facilities.
- Conducts hearings regarding driver’s license suspensions and other issues that affect the licensing rights of citizens.

The State Lottery Division:

Operates the State Lottery, which sells scratch ticket games and tickets for jackpot games (e.g. Powerball, Lotto, Cash 5, Pick 3, and Mega Millions). The net proceeds of the Lottery benefit the following State funds:

- Conservation Trust Fund,
- Colorado Division of Parks and Outdoors Recreation,
- Great Outdoors Colorado, and
- Public schools capital construction fund.

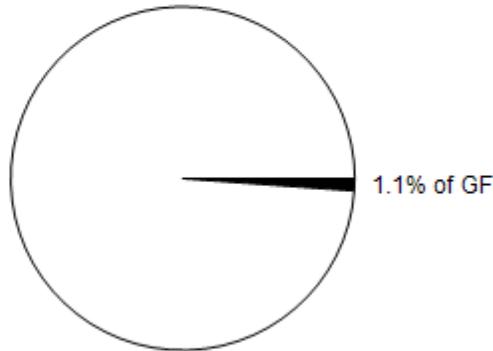
Department Budget: Recent Appropriations

| Funding Source | FY 2012-13 | FY 2013-14 | FY 2014-15 | FY 2015-16 * |
|------------------------|----------------------|----------------------|----------------------|----------------------|
| General Fund | \$73,393,521 | \$80,547,235 | \$101,668,190 | \$94,548,059 |
| Cash Funds | 211,976,517 | 221,039,808 | 219,053,032 | 216,206,856 |
| Reappropriated Funds | 1,603,334 | 5,068,713 | 5,534,457 | 5,314,170 |
| Federal Funds | <u>824,388</u> | <u>824,388</u> | <u>824,388</u> | <u>824,388</u> |
| Total Funds | \$287,797,760 | \$307,480,144 | \$327,080,067 | \$316,893,473 |
| Full Time Equiv. Staff | 1,249.1 | 1,253.2 | 1,322.0 | 1,328.6 |

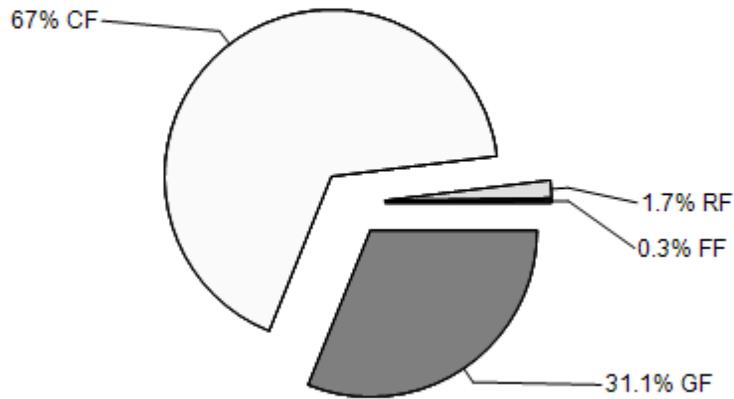
*Requested appropriation.

Department Budget: Graphic Overview

Department's Share of Statewide General Fund

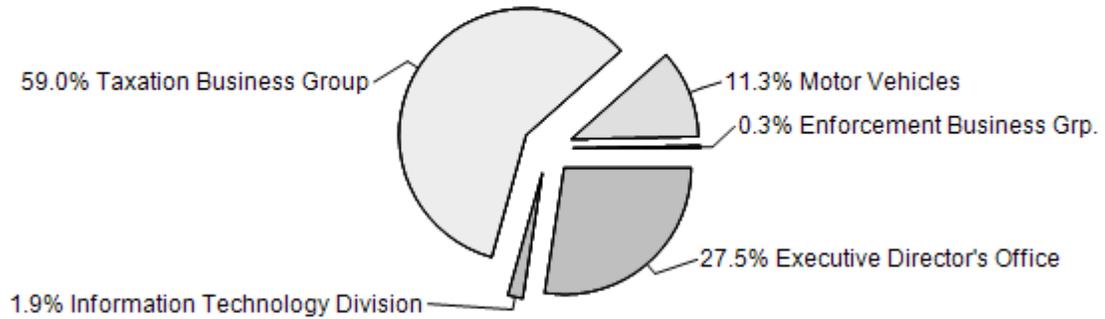


Department Funding Sources

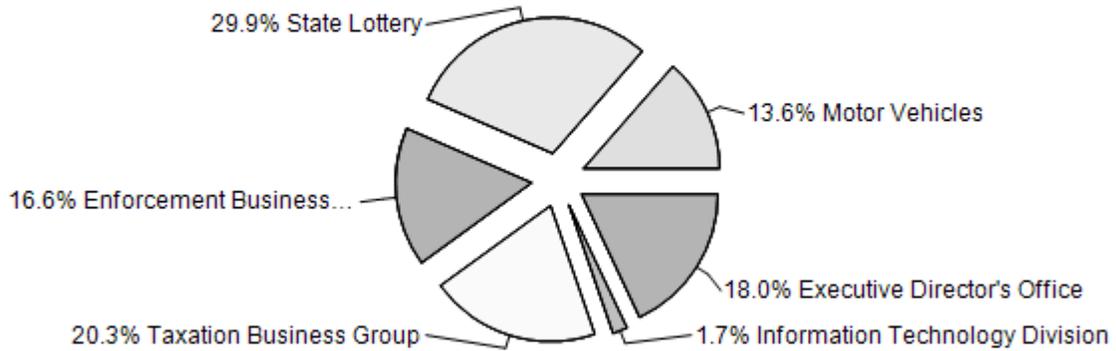


All charts are based on the FY 2014-15 appropriation.

Distribution of General Fund by Division



Distribution of Total Funds by Division



All charts are based on the FY 2014-15 appropriation.

General Factors Driving the Budget

The Department's core functions are divided into four functional groups, Taxation Business Group, the Division of Motor Vehicles, the Enforcement Business Group, and the State Lottery Division. These functional groups are supported by the Executive Director's Office and the Information Technology Division.

TAXATION BUSINESS GROUP

The *Taxation Business Group* administers individual and corporate income taxes, motor fuel taxes, severance taxes, estate and transfer taxes, and cigarette, tobacco, and liquor excise taxes. The Group includes an Administration Division, the Taxation and Compliance Division, the Taxpayer Service Division, the Tax Conferee, and a Special Purpose Division.

The primary budget driver for the *Taxation Business Group* is the number of taxpayers (both individual and business) in the State and the State's tax laws. In addition, statute requires specific expenditures by the Department for other programs administered by the Department including the Cigarette Tax Rebate, the Amendment 35 distribution to local governments, and the Old Age Heat and Fuel and Property Tax Rebate. These programs have minimal administrative costs and are absorbed within the Taxation Business Group.

Electronic tax filing (e-filing) and electronic funds transfers (EFT) for refunds save the Department significant expense when those methods of filing taxes and mailing refunds are used. The Department encourages taxpayers and filers to use e-filing and EFT when possible.

The *Taxation Business Group* is primarily funded through General Fund appropriations with other funding sources being the Highway Users Tax Fund (HUTF) and federal programs.

Taxation and Compliance Division

The Division enforces the State's tax laws and regulations for corporate and individual income taxes, sales taxes, severance taxes, and other state taxes. It conducts audits on individuals and corporations that do business in the State. It maintains six offices around the Country as well as sending Colorado-based auditors to audit the returns of corporations based out-of-state that do business in Colorado.

In the 2010 session, the General Assembly appropriated \$1.1 million General Fund and 3.7 FTE in FY 2010-11 to the Department for five years to address the backlog in resolving disputes regarding gross conservation easements, some of which date back to 2002. Then in the 2011 session, the General Assembly passed H.B. 11-1300, which also addressed the backlog by authorizing an expedited method of resolution of the disputes.

The Mineral Audit unit audits oil, gas, and mineral rents and royalties; the mill levy from oil and gas production; and severance taxes from federal, state, and private lands. It receives funding from the U.S. Department of the Interior's Minerals Management Service, under a cooperative agreement for delegated authority to audit federal minerals production in Colorado. Federal royalties are shared 50/50 with the State.

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Taxpayer Service Division

This Division assists taxpayers in the process of filing taxes by conducting outreach activities (including seminars for both individual and business taxpayers), maintaining a website to distribute information, and staffing five service centers¹ and a telephone call center with staff who answer both specific and general questions. The Division handles local sales tax collections for many cities, counties, and special districts. The Fuel Tracking System tracks the movement of gasoline and other motor fuels to expedite the collection of excise taxes on those products.

The Division produces public information campaigns, administers tax classes to promote voluntary compliance, and distributes information to the public to explain the State's tax laws and policies. It also issues licenses and permits, processes tax forms and requests for refunds, resolves taxpayer problems, and intercepts income tax refunds for payment of debts owed to other agencies and the Internal Revenue Service.

Tax Conferee

The Tax Conferee serves as an intermediary in the hearing process and acts as the Executive Director's official designee for tax hearings, including those involving tax assessment disputes and refund denials. Staff in this unit conduct reviews, legal research, investigations, interviews, negotiate settlements, and assist taxpayers in clarifying decisions. If a hearing with the Tax Conferee fails to achieve a successful resolution, then a formal hearing with the Executive Director is granted. Ultimately, if a feasible resolution is not attained, the aggrieved party may elevate the dispute to district court.

Special Purpose Division

This Division is responsible for the distribution of moneys for the Cigarette Tax Rebate, Amendment 35 (cigarette tax) moneys to local governments, the Old Age Heat and Fuel and Property Tax Rebate, the Commercial Vehicle Enterprise Sales Tax Refund, and Retail Marijuana Sales Tax distributions to local governments. Administrative Costs for these programs are minimal and are absorbed by the Taxpayer Business Group Administration Division. These programs are authorized by constitutional or statutory provision and appropriations are determined by the forecasts of the Legislative Council Staff or the Office of State Planning and Budgeting. Long Bill Appropriations are continuously appropriated and included in the Long Bill for informational purposes, and the General Fund appropriations are exempt from the statutory limits on General Fund appropriations.

The *Cigarette Tax Rebate* distributes a portion of state cigarette taxes to qualified city and county governments to reimburse those governments for the foregone tax revenues on cigarettes. To be eligible for the distribution, the local government may not impose any fees, licenses, or taxes on cigarettes. The *Amendment 35* distribution compensates local governments for the loss of local tax revenues that are the result of the decrease in cigarette taxes due to the increased taxes imposed by Amendment 35. Both distributions are based on the percentage of total state sales tax revenue collected in the local jurisdiction.

¹ The Taxpayer Service Division maintains physical offices in Colorado Springs, Denver, Fort Collins, Grand Junction, and Pueblo.

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The *Old Age Heat and Fuel and Property Tax Program* provides assistance in the form of payment of property taxes and heat and fuel expenses for Colorado residents who meet income, residency, and age requirements. The grants are available to those who are at least sixty-five years of age and who have lived in their residence for the entire tax year. A couple is jointly eligible if either meets the age and residency requirement. The grants are also available to disabled persons of any age who meet the residency requirement.

| Old Age Heat and Fuel and Property Tax Assistance Grants Income Limitations Specified in Section 39-31-101 and 104, C.R.S. | | |
|---|----------------------|--|
| Type of Grant | Maximum Grant | Grant Reduction |
| Property Tax – Individual | \$700 | Grant is reduced by 10.0 percent of the amount that the individual’s income exceeds \$6,639 in 2014. No benefits are payable for an income greater than \$10,358, except under the Flat Rate Rebate. All income figures are adjusted for inflation annually. |
| Property Tax – Couple | \$700 | Grant is reduced by 10.0 percent of the amount that the couple’s income exceeds \$10,731 in 2014. No benefits are payable for an income greater than \$14,450, except under the Flat Rate Rebate. All income figures are adjusted for inflation annually. |
| Heat or Fuel Expenses – Individual | \$192 | Grant is reduced by 10.0 percent of the amount that the individual’s income exceeds \$6,639 in 2014. No benefits are payable for an income greater than \$10,358, except under the Flat Rate Rebate. All income figures are adjusted for inflation annually. |
| Heat or Fuel Expenses – Couple | \$192 | Grant is reduced by 10.0 percent of the amount that the couple’s income exceeds \$10,731 in 2014. No benefits are payable for an income greater than \$14,450, except under the Flat Rate Rebate. All income figures are adjusted for inflation annually. |
| Flat Rate Rebate <i>Property or Rent</i> | \$227 | A flat grant award is available to individuals with incomes ranging between \$11,369 and \$12,720 and joint filers with incomes between \$15,461 and \$17,147. All income and figures are adjusted for inflation annually. |
| <i>Heat or Fuel</i> | \$73 | |

The *Retail Marijuana Sales Tax Distribution to Local Governments* line item was established through a supplemental budget action to provide a mechanism for distribution of retail marijuana sales tax collections to local government. Section 39-28.8-203, C.R.S., requires 15.0 percent of retail marijuana sales tax revenues collected by the state to be apportioned to local governments according to the percentage of retail marijuana sales collected by the local government. Distributions to the local governments are made monthly. Appropriations are to be included for informational purposes in the general appropriation bill or in supplemental appropriation bills and are exempt from the limits on General Fund appropriations as set forth in Section 24-75-201.1 (1) (a) (II.5), C.R.S.

DIVISION OF MOTOR VEHICLES

This Division is responsible for issuing driver’s licenses and state identification cards, tracking driver records, registering and titling of motor vehicles and issuing license plates, regulating commercial driving schools, administering the International Registration Plan, overseeing the vehicle emissions testing stations and vehicles, overseeing the motorist insurance identification database, and implementing the ignition interlock program.

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The primary budget drivers are the number of people obtaining driver’s licenses or identification cards, purchasing, registering, and titling motor vehicles, vehicles needing emissions testing, the number of drivers committing traffic infractions that require the recording of points and the imposition of driving sanctions, and the number of people committing first-time drunk driving violations who require assistance with obtaining ignition interlock devices.

Driver Services

This business unit issues driver’s licenses, identification cards, and permits through 43 driver’s license offices. It maintains the official driver records of all drivers in the state, records administrative sanctions against drivers, and revokes, when appropriate, driver’s licenses for persons that have received excessive points, been convicted of drunk driving or DUI or have refused lawful requests to prove sobriety. It is also charged with regulating commercial driving schools and commercial driver license testing units.

| DIVISION OF MOTOR VEHICLES | | | | |
|---|-------------------|-------------------|-------------------|-------------------|
| DRIVER'S LICENSES & DRIVER CONTROL | | | | |
| | FY 2010-11 | FY 2011-12 | FY 2012-13 | FY 2013-14 |
| <u>Type of License Issued</u> | | | | |
| Adult License | 641,791 | 923,609 | 933,422 | 807,044 |
| Minor License | 83,156 | 85,519 | 83,479 | 85,611 |
| Motorcycle Only | 1 | 0 | 0 | 0 |
| Commercial License | 41,736 | 51,040 | 44,444 | 42,499 |
| <u>Permits Issued</u> | | | | |
| Adult License | 53,519 | 54,815 | 58,135 | 63,961 |
| Minor | 71,292 | 70,002 | 73,291 | 75,221 |
| Motorcycle Instruction | 7,611 | 7,623 | 6,036 | 6,114 |
| Commercial Vehicle Instruction | <u>11,094</u> | <u>13,084</u> | <u>12,399</u> | 14,081 |
| Total Licenses and Permits Issued | 910,200 | 1,205,692 | 1,211,206 | 1,094,531 |
| Total Identification Cards in Force | 651,495 | 628,775 | 610,658 | 598,767 |
| Total Permits in Force | 106,548 | 114,285 | 119,691 | 123,686 |
| Total Regular Licenses in Force | 3,659,765 | 3,670,574 | 3,679,267 | 3,729,743 |
| Total CDL Licenses in Force | 132,950 | 132,572 | 131,430 | 120,970 |
| <u>Driver Record Administration</u> | | | | |
| Total Restraints Issued | 225,689 | 215,108 | 209,659 | 211,926 |
| License Reinstatements | 82,261 | 79,147 | 77,124 | 78,484 |
| Renewals by Mail/Reissue Out of State | 3,272 | 5,550 | 4,308 | 6,507 |
| Renewals on-line | 110,495 | 159,893 | 170,978 | 134,524 |

JBC Staff Budget Briefing: FY 2015-16
Staff Working Document – Does Not Represent Committee Decision

Vehicle Services

Responsibilities of this section include providing support and coordination for the motor vehicle registration process; supervising license plate ordering and distribution, as well as all other registration products for county motor vehicle offices and the statewide vehicle titling and registration system (CSTARS). This Section also ensures compliance with registration requirements for the International Registration Plan and International Fuel Tax Act programs.

The *Titles Section* of Vehicles Services is responsible for the issuance of legal, negotiable certificates of title to protect the public when purchasing motor vehicles. Program staff reviews all high-risk title applications to verify that the assignment of ownership has been properly made.

| DIVISION OF MOTOR VEHICLES | | | | |
|------------------------------------|-------------------|-------------------|-------------------|-------------------|
| Title Applications Received | | | | |
| | FY 2010-11 | FY 2011-12 | FY 2012-13 | FY 2013-14 |
| Title Applications Received | 1,471,503 | 1,561,184 | 1,608,557 | 1,621,277 |

The *Emissions Program* licenses emissions testing site operators, inspectors, and mechanics. It also conducts inspections of emissions testing facilities and validates inspector and mechanic performance to ensure compliance with statutory requirement.

| DIVISION OF MOTOR VEHICLES | | | | |
|------------------------------------|-------------------|-------------------|-------------------|-------------------|
| Vehicle Emissions Licensing | | | | |
| | FY 2010-11 | FY 2011-12 | FY 2012-13 | FY 2013-14 |
| Station Licenses Issued | 83 | 75 | 87 | 87 |
| Station Licenses Renewed | 64 | 67 | 81 | 51 |
| Mechanic's Licenses Issued | 579 | 355 | 683 | 593 |
| Mechanic's Licenses Renewed | 200 | 151 | 245 | 173 |

Motorist Insurance Identification Database Program helps law enforcement officials verify owner compliance with motor vehicle insurance requirements and prevents registration of vehicles that are uninsured.

ENFORCEMENT BUSINESS GROUP

The *Enforcement Business Group* regulates the limited gaming industry, liquor and tobacco retailers and special events, the horse racing track and off-track betting establishments, the automobile sales industry, and the medical and recreational marijuana industry (including growing facilities, marijuana infused products manufacturing facilities, and dispensaries). The Hearing Division is located in this Group.

JBC Staff Budget Briefing: FY 2015-16
Staff Working Document – Does Not Represent Committee Decision

The primary budget drivers are the number of licensed limited gaming establishments and the number of people they employ, the number of liquor and tobacco retailing establishments as well as the number of special events requesting alcohol licenses, the number of racing and off-track betting venues, the number of automobile dealers and sales persons, the number of hearings conducted for license suspensions and revocations, and the number of licensed marijuana facilities.

Limited Gaming Division

The Limited Gaming Division regulates the limited stakes gaming industry in the Colorado cities of Black Hawk, Central City, and Cripple Creek. In 1991, the voters approved an amendment to the Colorado Constitution to allow limited stakes gaming in those three cities, subject to local voter approval. The Division licenses gaming establishments and their employees and enforces state laws and regulations pertaining to limited gaming.

The Limited Gaming Control Commission approves the Division’s annual budget and oversees the regulation of the casinos. Pursuant to Section 9 (5) (b) (I) of Article XVIII of the Colorado Constitution, the Limited Gaming Control Commission adopts the Division’s budget and the budget is not subject to the control of the General Assembly. All expenses for the operation of the Division are paid from the Limited Gaming Fund.

Section 9 (5) (b) (II) of Article XVIII of the Colorado Constitution specifies that after payment of the expenses of the Limited Gaming Division, 50.0 percent of the proceeds from the State gaming revenues are transferred to the General Fund, or such other fund or funds as directed by the General Assembly, 28.0 percent shall be transferred to the State Historical Fund, 12.0 percent shall be distributed to Gilpin County and Teller County, and 10.0 percent shall be distributed to the City of Black Hawk, the City of Central, and the City of Cripple Creek. The distributions to the local jurisdictions are made in proportion to the revenues derived from casinos in each of the respective jurisdictions.

In 2008, voters approved Amendment 50, which allowed an increase in the maximum bets, additional games, and an increase in casino hours of operation. After payment of the expenses of the Limited Gaming Division, 78.0 percent of the *additional* revenue from expanded gaming is distributed to the State’s community colleges. The remaining 22.0 percent is distributed to the local gaming jurisdictions in the same manner as the original distributions. In FY 2013-14, the community colleges received \$6.5 million.

| ENFORCEMENT BUSINESS GROUP | | | | |
|---|-------------------|-------------------|-------------------|-------------------|
| Limited Gaming Division Revenues, Expenses and Distributions | | | | |
| | FY 2010-11 | FY 2011-12 | FY 2012-13 | FY 2013-14 |
| Limited Gaming Revenue | \$105,949,859 | \$103,557,500 | \$104,644,974 | \$106,322,700 |
| Commission/Division Expenses | 12,097,096 | 12,305,062 | 12,872,721 | 13,877,185 |
| Distributions | | | | |
| State General Fund | \$20,400,269 | \$20,304,942 | \$12,102,134 | \$11,820,185 |
| Local Government Gaming Impact Fund | 3,600,806 | 3,314,827 | 5,000,000 | 5,000,000 |

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| ENFORCEMENT BUSINESS GROUP | | | | |
|---|---------------------|---------------------|---------------------|---------------------|
| Limited Gaming Division Revenues, Expenses and Distributions | | | | |
| | FY 2010-11 | FY 2011-12 | FY 2012-13 | FY 2013-14 |
| Tourism Promotion Fund | 12,002,686 | 11,049,424 | 15,000,000 | 15,000,000 |
| State Historical Society | 24,195,009 | 23,127,355 | 23,633,195 | 23,475,304 |
| Film Incentives Cash Fund | 240,054 | 220,989 | 500,000 | 500,000 |
| Bioscience Discovery Evaluation Grants | 4,320,967 | 3,977,793 | 5,500,000 | 5,500,000 |
| Innovative Higher Ed Research Fund | 1,680,376 | 1,546,920 | 2,100,000 | 2,100,000 |
| Creative Industries Cash Fund | 960,215 | 883,954 | 2,000,000 | 2,000,000 |
| Limited Gaming Counties | | | | |
| Gilpin County | 8,544,294 | 8,196,996 | 8,364,125 | 8,373,641 |
| Teller County | 1,824,995 | 1,714,728 | 1,764,387 | 1,687,203 |
| Limited Gaming Cities | | | | |
| City of Black Hawk | 6,352,054 | 6,048,629 | 6,174,172 | 6,244,431 |
| Central City | 768,192 | 782,200 | 795,932 | 733,603 |
| City of Cripple Creek | 1,520,829 | 1,428,940 | 1,470,322 | 1,406,003 |
| Amendment 50 Distributions | | | | |
| Limited Gaming Counties | 1,069,993 | 1,031,963 | 993,906 | 1,005,480 |
| Limited Gaming Cities | 891,661 | 859,969 | 828,255 | 837,900 |
| Community College System | <u>6,954,952</u> | <u>6,707,757</u> | <u>6,460,388</u> | <u>6,535,622</u> |
| Total Distributions | \$95,327,352 | \$91,197,386 | \$92,686,816 | \$92,219,372 |

Liquor and Tobacco Enforcement Division

This Division licenses liquor wholesalers and retailers, enforces laws prohibiting alcohol sales to minors and underage consumption, and enforces laws prohibiting tobacco sales to underage consumers. Starting in FY 2012-13, the liquor and tobacco functions were merged into one division. Funding for the Division is provided by the Liquor Enforcement Division and State Licensing Authority Cash Fund, the Tobacco Education Programs Fund, the General Fund, and the Reduced Cigarette Ignition Propensity Standards and Firefighter Protection Act Enforcement Fund.

| ENFORCEMENT BUSINESS GROUP | | | | |
|---|-------------------|-------------------|-------------------|-------------------|
| Liquor & Tobacco Enforcement Division - Violations | | | | |
| | FY 2010-11 | FY 2011-12 | FY 2012-13 | FY 2013-14 |
| State administrative actions | 369 | 278 | 424 | 362 |
| State revocations | 4 | 3 | 0 | 5 |
| State suspensions | 163 | 51 | 70 | 44 |
| State denials | 0 | 1 | 1 | 3 |
| Division-filed court cases | 784 | 756 | 1,042 | 1,026 |

JBC Staff Budget Briefing: FY 2015-16
Staff Working Document – Does Not Represent Committee Decision

| ENFORCEMENT BUSINESS GROUP | | | | |
|---|-------------------|-------------------|-------------------|-------------------|
| Liquor & Tobacco Enforcement Division - Violations | | | | |
| | FY 2010-11 | FY 2011-12 | FY 2012-13 | FY 2013-14 |
| Division-assisted local hearings | 6 | 6 | 12 | 5 |

Division of Racing Events

The Division promotes and regulates the horse and dog racing industry in Colorado. The only current operating live venue is Arapahoe Park, which offers live horse racing on Fridays, Saturdays, and Sundays May through September. Arapahoe Park also offers simulcast wagering on out-of-state races during the live racing season. The Division also oversees the seven off-track betting facilities that offer wagering on simulcast horse and greyhound racing from around the country.

| ENFORCEMENT BUSINESS GROUP | | | | |
|-----------------------------------|----------------|----------------|----------------|----------------|
| Division of Racing Events | | | | |
| | CY 2010 | CY 2011 | CY 2012 | CY 2013 |
| Live Racing Days | | | | |
| Horse Racing | 39 | 40 | 39 | 39 |
| Greyhound Racing | 0 | 0 | 0 | 0 |
| Pari-mutuel sales /a | \$77,435,356 | \$79,749,656 | \$80,035,020 | \$81,192,625 |
| Pari-mutuel tax collections | \$562,299 | \$598,123 | \$600,262 | \$609,698 |

/a Includes off-track betting

Motor Vehicle Dealer Licensing Board

The Board is responsible for the licensure and regulation of the automobile sales industry, including dealers and sales persons. In addition to licensing, the Board investigates complaints against dealers and sales persons and can issue civil enforcement actions or refer the case for criminal actions.

| ENFORCEMENT BUSINESS GROUP | | | | |
|---|-------------------|-------------------|-------------------|-------------------|
| Motor Vehicle Dealer Licensing Board | | | | |
| | FY 2010-11 | FY 2011-12 | FY 2012-13 | FY 2013-14 |
| Motor Vehicle Case Types | | | | |
| Dealer Licenses Processed | 4,466 | 4,493 | 4,343 | 4,383 |
| Dealer License Collections | \$1,255,549 | \$1,316,604 | \$1,661,306 | \$1,483,633 |
| Salesperson Licenses Processed | 13,186 | 13,566 | 14,356 | 14,912 |
| Salesperson License Collections | \$1,074,576 | \$1,177,800 | \$1,544,030 | \$1,475,330 |

JBC Staff Budget Briefing: FY 2015-16
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Hearings Division

The Division conducts hearings in a number of areas that affects the licensing rights of citizens. These include driver license suspensions, revocations, cancellation, or denial of medical and physical disability, habitual traffic offenders, horse racing license, and other actions that affect the licensing rights of citizens. The Division also provides computer support and data analysis for public awareness program related to traffic safety.

| ENFORCEMENT BUSINESS GROUP | | | | |
|--|-------------------|-------------------|-------------------|-------------------|
| Hearings Division Cases | | | | |
| | FY 2010-11 | FY 2011-12 | FY 2012-13 | FY 2013-14 |
| Motor Vehicle and Driver's License Case Types | | | | |
| Excessive Points | 6,988 | 6,073 | 5,556 | 4,724 |
| Express Consent | 12,375 | 12,167 | 12,022 | 11,222 |
| DUI Convictions | 139 | 141 | 107 | 72 |
| Habitual Traffic Offender | 73 | 72 | 61 | 63 |
| Insurance related restraints | 302 | 231 | 219 | 165 |
| Ignition Interlock | 1,908 | 2,267 | 2,203 | 2,553 |
| CDL Restraints | 14 | 28 | 26 | 30 |
| Other | <u>1,727</u> | <u>1,731</u> | <u>1,673</u> | <u>1,561</u> |
| Total Hearings | 23,526 | 22,710 | 21,867 | 20,390 |
| Other Hearings | <u>125</u> | <u>119</u> | <u>132</u> | <u>95</u> |
| Total | 23,651 | 22,829 | 21,999 | 20,485 |

Marijuana Enforcement Division

In 2000, the voters approved an initiative to amend the Colorado Constitution to authorize the use of marijuana for “debilitating medical conditions”. Due to the recent proliferation of medical marijuana dispensaries opening around the State, the General Assembly enacted H.B. 10-1284 to regulate medical marijuana caregivers, dispensaries, cultivation facilities, and medical marijuana infused-products manufacturing facilities. The Bill created the Medical Marijuana State Licensing Authority in the Department of Revenue to enforce the law and to promulgate and enforce regulations related to medical marijuana facilities. Regulation of caregivers and patients was assigned to the Department of Public Health and Environment. Funding for the Licensing Authority was from the Medical Marijuana License Cash Fund.

House Bill 13-1317 implemented major provisions of Amendment 64, approved by voters in November 2012. Among other things, the bill renamed the Medical Marijuana Enforcement Division (MMED) as the Marijuana Enforcement Division (MED) and gave the authority of the MED to regulate both medical and retail marijuana. The bill re-named the Medical Marijuana License Cash Fund as the Marijuana Cash Fund.

JBC Staff Budget Briefing: FY 2015-16
Staff Working Document – Does Not Represent Committee Decision

House Bill 13-1318 created an excise tax and special sales tax to be levied on retail marijuana beginning January 1, 2014, and referred a ballot initiative to the voters. The voters approved Proposition AA in November 2013. With the approval of Proposition AA, H.B. 13-1318 appropriated \$4.2 million cash funds and 11.5 FTE to the Department of Revenue for FY 2013-14 to regulate the new tax laws and to re-program the GenTax system to allow for the collection, monitoring, and reporting of both the excise tax and the retail marijuana sales tax.

Senate Bill 14-215 created the marijuana tax cash fund, which receives the regular sales tax, special sales tax, and excise tax in excess of \$40.0 million that is transferred to the Building Excellent Schools Today (BEST) Program. The bill also limited appropriations from the fund to be made in the year after tax revenues are collected except those made to the Marijuana Enforcement Division for direct and indirect costs of administering the medical and adult-use marijuana programs. More detail on S.B. 14-215 is addressed in a briefing issue.

| ENFORCEMENT BUSINESS GROUP—Marijuana Enforcement Division | | | |
|--|-------------------|-------------------|----------------------------|
| | FY 2011-12 | FY 2012-13 | FY 2013-14 |
| <u>Medical Marijuana Licensing Activity</u> | | | |
| Medical marijuana center business licenses issued | 273 | 372 | 493 |
| Medical marijuana infused product business licenses issued | 38 | 80 | 144 |
| Medical marijuana optional premises cultivation business licenses issued | 0 | 488 | 727 |
| <u>Retail Marijuana Licensing Activity</u> | | | |
| Retail Marijuana Store Business Licenses Issued | | | 205 |
| Retail Marijuana Product Manufacturer Business Licenses Issued | | | 58 |
| Retail Marijuana Optional Premises Cultivation Business License Issued | | | 272 |
| Retail Marijuana Testing Facility Business Licenses Issued | | | 7 |
| <u>Marijuana Licenses and Application Fees Transfer to Marijuana Cash Fund</u> | | | FY 2014¹ |
| Medical Marijuana | | | 7,128,568 |
| Retail Marijuana | | | 2,425,200 |
| Total | | | 9,553,768 |
| <u>Marijuana Sales Tax Transfer to Marijuana Cash Fund (2.9% rate)</u> | | | FY 2014¹ |
| Medical Marijuana | | | 10,562,577 |
| Retail Marijuana | | | 2,706,299 |
| Total | | | 13,268,876 |
| <u>Retail Marijuana Sales Tax (10% rate)</u> | | | FY 2014¹ |
| Local Government Distribution (15% of Total) | | | 1,353,571 |
| Marijuana Cash Fund Transfer (85% of Total) | | | 7,668,035 |
| Collections Not Yet Allocated ² | | | 1,746 |
| Total | | | 9,023,352 |

JBC Staff Budget Briefing: FY 2015-16
Staff Working Document – Does Not Represent Committee Decision

| ENFORCEMENT BUSINESS GROUP—Marijuana Enforcement Division | | | |
|--|-------------------|-------------------|-----------------------------|
| | FY 2011-12 | FY 2012-13 | FY 2013-14 |
| <u>Retail Marijuana Excise Tax (15% rate)</u> | | | FY 2014 ¹ |
| Public School Capitol Construction Assistance Fund Transfer | | | 3,012,860 |
| Marijuana cash Fund Transfer | | | 0 |
| Collections Not Yet Allocated ² | | | 1,979 |
| Total | | | 3,014,839 |

¹ Sale of retail marijuana began January 1, 2014. Marijuana data for fiscal year 2014 includes marijuana sales data from January 1, 2014 through May 31, 2014

² Indicates those receipts that have posted to the accounting system but have not yet been reconciled to the relevant sales/excise tax return. These receipts may affect the precision of the calculations to transfer or distribute the sales/excise taxes to their proper disposition.

STATE LOTTERY DIVISION

The State Lottery Division is responsible for the promotion and operations of the State Lottery, which includes scratch ticket games and jackpot games. The scratch ticket games are scratch-off tickets that provide for instant winnings for tickets (although some games have secondary drawings for additional prizes). Jackpot games, such as Pick 3, Lotto, and the multi-state PowerBall and MegaMillions games are games that have drawings at specified dates and times. The primary budget drivers are the number of lottery retailers and the number of tickets sold.

The proceeds of the lottery go primarily for Colorado open-space and recreation purposes. Pursuant to Article XXVII of the Colorado Constitution, proceeds of the lottery are distributed in the following fashion:

- 40 percent to the Conservation Trust Fund;
- 10 percent to the State Division of Parks and Outdoor Recreation; and
- 50 percent to State Board of the Great Outdoors Colorado Trust Fund (except that the 50 percent is capped at \$35.0 million in 1992 dollars).
- Any amount exceeding the Great Outdoors Colorado Trust Fund cap is distributed to the Lottery Proceeds Contingency Reserve Fund to be used for supplemental assistance to school district for capital expenditures to address immediate safety hazards or health concerns within existing school facilities.

JBC Staff Budget Briefing: FY 2015-16
Staff Working Document – Does Not Represent Committee Decision

| LOTTERY DIVISION | | | | |
|--|-------------------|-------------------|-------------------|-------------------|
| Revenues by Type and Distribution (\$ Millions) | | | | |
| | FY 2010-11 | FY 2011-12 | FY 2012-13 | FY 2013-14 |
| Revenues by Type | | | | |
| Cash 5 | \$19.2 | \$19.5 | \$21.3 | \$19.2 |
| Lotto | 39.3 | 33.3 | 32.6 | 33.8 |
| Powerball | 70.0 | 81.9 | 116.7 | 84.5 |
| Scratch | 344.9 | 364.2 | 368.6 | 362.0 |
| Match play | 11.4 | 9.3 | 0.0 | 0.0 |
| Mega millions | 25.1 | 37.1 | 23.2 | 36.8 |
| Raffle | 9.0 | 0.0 | 2.0 | 0.0 |
| Pick 3 | <u>N/A</u> | <u>N/A</u> | <u>1.9</u> | <u>8.7</u> |
| Total | \$518.9 | \$545.3 | \$566.3 | \$545.0 |
| Distributions | | | | |
| Conservation Trust Fund | \$45.3 | \$49.3 | \$54.2 | \$52.1 |
| Great Outdoors Colorado | 56.0 | 57.1 | 59.2 | 60.3 |
| Parks & Outdoor Recreation | 11.3 | 12.3 | 13.6 | 13.0 |
| Public School Capital Construction Fund | <u>0.7</u> | <u>4.6</u> | <u>8.6</u> | <u>4.7</u> |
| Total | \$113.3 | \$123.3 | \$135.6 | \$130.1 |

JBC Staff Budget Briefing: FY 2015-16
Staff Working Document – Does Not Represent Committee Decision

Summary: FY 2014-15 Appropriation & FY 2015-16 Request

| Department of Revenue | | | | | | |
|---|----------------------|----------------------|----------------------|-------------------------|------------------|----------------|
| | Total Funds | General Fund | Cash Funds | Reappropriated Funds | Federal Funds | FTE |
| FY 2014-15 Appropriation | | | | | | |
| HB 14-1336 (Long Bill) | \$323,518,116 | \$98,459,137 | \$218,700,134 | \$5,534,457 | \$824,388 | 1,316.7 |
| Other legislation | <u>3,561,951</u> | <u>3,209,053</u> | <u>352,898</u> | <u>0</u> | <u>0</u> | <u>5.3</u> |
| TOTAL | \$327,080,067 | \$101,668,190 | \$219,053,032 | \$5,534,457 | \$824,388 | 1,322.0 |
| FY 2015-16 Requested Appropriation | | | | | | |
| FY 2014-15 Appropriation | \$327,080,067 | 101,668,190 | \$219,053,032 | \$5,534,457 | \$824,388 | 1,322.0 |
| R2 CATS Maintenance and Support | 179,010 | 179,010 | 0 | 0 | 0 | 0.0 |
| R1 DMV Funding Deficit | 0 | 4,199,062 | (4,199,062) | 0 | 0 | 0.0 |
| R3 DMV long Bill Technical Adjustments | 0 | 0 | 0 | 0 | 0 | 0.0 |
| Annualize prior year budget actions | (5,178,417) | (7,628,990) | 2,530,809 | (80,236) | 0 | 0.3 |
| Technical adjustments | (3,348,755) | (3,348,755) | 0 | 0 | 0 | 0.0 |
| Annualize prior year legislation | (1,137,477) | (204,557) | (932,920) | 0 | 0 | 6.3 |
| Centrally appropriated line items | (679,325) | (310,515) | (228,759) | (140,051) | 0 | 0.0 |
| Non-prioritized requested changes | <u>(21,630)</u> | <u>(5,386)</u> | <u>(16,244)</u> | <u>0</u> | <u>0</u> | <u>0.0</u> |
| TOTAL | \$316,893,473 | \$94,548,059 | \$216,206,856 | \$5,314,170 | \$824,388 | 1,328.6 |
| Increase/(Decrease) | (\$10,186,594) | (\$7,120,131) | (\$2,846,176) | (\$220,287) | \$0 | 6.6 |
| Percentage Change | (3.1%) | (7.0%) | (1.3%) | (4.0%) | 0.0% | 0.5% |

Description of Requested Changes

R2 Colorado Automated Testing System (CATS) Maintenance and Support: The Division of Motor Vehicles requests a total of \$179,010 General Fund to fund maintenance and support of the Colorado Automated Testing System (CATS). The system allows various types of driver’s licensing applicants to take the required knowledge tests. The requested funding annualizes to \$179,010.

R1 DMV Funding Deficit: The Division of Motor Vehicles requests an increase of \$4.2 million General Fund and a reduction of \$4.2 million cash funds from the Licensing Services Cash Fund for FY 2015-16. This request aims to fund operations within the Driver Services group as a result of a gap between the appropriation and revenue in the Licensing Services Cash Fund. The requested funding annualizes to \$3.8 million in FY 2016-17 and beyond.

R3 Long Bill Technical Adjustments: The Division of Motor Vehicles requests several budget neutral technical adjustments to align the Long Bill appropriations with operations. The

JBC Staff Budget Briefing: FY 2015-16
Staff Working Document – Does Not Represent Committee Decision

technical adjustments address a couple situations that occurred last budget cycle as a result of the Department restructuring the Division of Motor Vehicles. This includes appropriations from the Department of Corrections budget amendment that was approved for “Pre-Release Services” and the appropriation from the First Time Drink Driving Offenders Account included in H.B. 13-1240 (Penalties for Persistent Drunk Drivers).

Annualize prior year budget actions: The request includes adjustments related to prior year budget actions.

Technical Adjustments: The request includes technical adjustments to the Cigarette Tax Rebate line item and the Old Age Heat and Fuel and Property Tax Assistance Grant line item as a result of the September forecast.

Annualize prior year legislation: The request includes adjustments related to prior year legislation, including the following: S.B. 11-184; H.B. 12-1042; S.B. 13-001; S.B. 13-251; H.B. 13-1042; H.B. 13-1240; S.B. 14-014; S.B. 14-030; S.B. 14-036; S.B. 14-041; S.B. 14-073; S.B. 14-075; S.B. 14-075; S.B. 14-087; S.B. 14-194; H.B. 14-1003; H.B. 14-1006; H.B. 14-1012; H.B. 14-1017; H.B. 14-1029; H.B. 14-1034; H.B. 14-1066; H.B. 14-1072; H.B. 14-1089; H.B. 14-1100; H.B. 14-1119; H.B. 14-1279; H.B. 14-1311; H.B. 14-1326; H.B. 14-1327; H.B. 14-1350; H.B. 14-1352; H.B. 14-1361; H.B. 14-1367. See Appendix B for detail on each bill.

Centrally appropriated line items: The request includes adjustments to centrally appropriated line items for the following: state contributions for health, life, and dental benefits; merit pay; salary survey; short-term disability; supplemental state contributions to the Public Employees' Retirement Association (PERA) pension fund; workers' compensation; administrative law judge services; payment to risk management and property funds; leased space; Capitol complex leased space; indirect cost assessment; and payments to OIT.

Non-prioritized requested changes: The request includes the annual fleet vehicles change from the Department of Personnel.

Issue: Statewide Marijuana Tax Cash Fund Requests and Proposition AA TABOR Refund

The Department of Revenue collects taxes imposed on legal marijuana activities. This issue provides an overview of tax revenue derived from those activities, the potential TABOR refund in FY2015-16, and the Governor's request from the Marijuana Tax Cash Fund.

SUMMARY:

- The September Revenue Forecast from Legislative Council projects that the state must refund all special sales tax and excise tax collected in FY 2014-15 during FY 2015-16 up to \$137.6 million. Those taxes are projected to generate \$30.5 million in FY 2014-15. Law directs \$11.5 million will be transferred to the Building Excellent Schools Today (BEST) Program and \$2.9 million is being transferred to local governments; these transfers occur throughout the fiscal year.
- Current TABOR refund mechanisms do not address the current situation. TABOR does not require refunds to be proportional when prior payments of taxes are impractical to identify or return. Staff investigated and discusses what resources would be required to achieve a refund through a marijuana sales tax abatement.
- Senate Bill 14-215 requires that funds deposited in the Marijuana Tax Cash Fund may only be appropriated to programs other than the Division of Marijuana Enforcement in the year after collection. The Governor is requesting that statute be changed to allow \$6.4 million of programs that received appropriations in FY 2014-15 to be funded with revenue collected in FY 2014-15.

RECOMMENDATION:

Staff recommends that the Joint Budget Committee discuss:

- If they wish to carry legislation to refer to voters a proposition to retain the adult-use marijuana special sales and excise taxes. Legislation could also contemplate the refund mechanism if voters do not approve the proposition and appropriations that would be supported by the Marijuana Tax Cash Fund if it is approved.
- Whether to reduce FY 2014-15 appropriations by \$6.4 million or provide funding for those programs with FY 2014-15 revenues and the statutory change required to allow such funding to occur. Choosing to act this way would be contrary to the goal of only spending marijuana revenues the year after they are collected.
- Whether any programs funded with the Marijuana Tax Cash Fund should receive appropriations in FY 2015-16. Without permission from the voters to retain the revenue collected in FY 2014-15 it will need to be refunded to the taxpayers reducing available revenues by \$30.5 million.

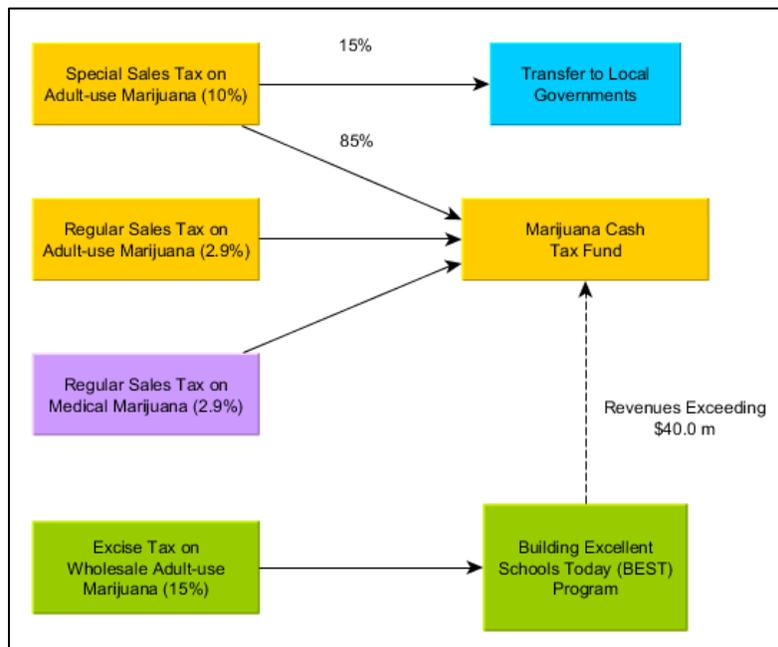
DISCUSSION:

Staff prepared this issue brief for final publication on December 19, 2014. The General Assembly’s Legislative Council prepared and presented an updated revenue forecast on December 22, 2014. Therefore, Staff has not yet incorporated updated revenue forecasts into this document and revenue estimates referenced here are based on the September 2014 revenue forecast.

Marijuana Revenue Streams

The state collects several taxes and fees from regulating marijuana. Generally the state collects an excise tax on wholesale marijuana sales and transfers, regular sales tax on both medical marijuana and adult-use marijuana, and a special sales tax on adult-use marijuana.

House Bill 13-1318 (Singer/Jahn), as approved by voters, imposed a 15.0 percent excise tax on the sale or transfer of unprocessed retail marijuana by a retail marijuana cultivation facility to a retail marijuana store, retail marijuana product manufacturing facility, or another retail marijuana cultivation facility. The first \$40.0 million of revenues generated by the excise tax are directed by the state Constitution to fund school construction through the Building Excellent Schools Today (BEST) program. The September revenue forecast conducted by Legislative Council projects approximately \$11.7 million to be transferred in FY 2015-16. Therefore, for FY 2015-16, it is projected that there will be no overflow excise tax deposited in the MCTF. The flowchart below displays the flow of marijuana tax revenues.



The Department also collects fees for various services it provides to both the adult-use and medical-marijuana industries in its role as state licensing authority which are deposited in the Marijuana Cash Fund (MCF) and is available for the direct and indirect costs of administering

JBC Staff Budget Briefing: FY 2015-16
Staff Working Document – Does Not Represent Committee Decision

regulation of the marijuana industries, subject to annual appropriation. It does not receive fee revenue from medical-marijuana patients.

TABOR Election Provision Refund

According to an analysis by the Office of Legislative Legal Services regarding the election provisions of Article X, Section 20 of the Colorado Constitution, the Taxpayer Bill of Rights (TABOR), if the FY 2014-15 revenues from the excise and special sales taxes on adult-use marijuana *or* fiscal year spending for the year exceed the Proposition AA Blue Book estimates for the same, the combined excess must be refunded to the taxpayers in FY 2015-16. However, the amount of the refund is capped at the total amount of the taxes actually collected for the fiscal year, and no refund is required if the state receives voter approval to keep the revenue.

State fiscal year spending is expected to exceed the Proposition AA Blue Book estimate for FY 2014-15 by \$137.6 million. Assuming state fiscal year spending does exceed the estimate of \$12.15 billion contained in the Blue Book the TABOR requires the combined excess of the new tax estimates to be refunded up to actual tax collections. The current forecast estimates \$30.5 million to be collected through taxes approved in Proposition AA which would have to be refunded. The table below shows the actual revenue collections for FY 2013-14 and the projected revenue collections in FY 2014-15:

| Revenues from Marijuana Sales FY 2013-14 Actual and FY 2014-15 Projected | | |
|---|--|--|
| | FY 2013-14 Actual Collections | FY2014-15 Projected Collections |
| <u>Marijuana Sales Tax Transfer to Marijuana Tax Cash Fund (2.9% rate)</u> | | |
| (A) Medical Marijuana | 10,562,577 | 11,500,000 |
| (B) Retail Marijuana | 2,706,299 | 5,700,000 |
| (C) Sub Total | 13,268,876 | 17,200,000 |
| Revenue Subject to TABOR Elections Provision | | |
| <u>Retail Marijuana Special Sales Tax (10% rate)</u> | | |
| (D) State share of special sales tax (85% of Total) | 7,668,035 | 16,400,000 |
| (E) Local share of special sales tax (15% of Total) | 1,353,571 | 2,900,000 |
| (F) Collections Not Yet Allocated ¹ | 1,746 | 0 |
| (G) Sub Total | 9,023,352 | 19,300,000 |
| <u>Adult-use Marijuana Excise Tax</u> | | |
| (H) Wholesale Adult-use Marijuana Excise Tax (15% rate) | 3,012,860 | 11,200,000 |
| (I) Collections Not Yet Allocated ¹ | 1,979 | 0 |
| (J) Total Transferred to BEST Program | 3,014,839 | 11,200,000 |
| (K) Amount projected to be set aside for TABOR Elections Provision refund (K = G + J) | | 30,500,000 |

JBC Staff Budget Briefing: FY 2015-16
Staff Working Document – Does Not Represent Committee Decision

| Revenues from Marijuana Sales FY 2013-14 Actual and FY 2014-15 Projected | | |
|---|--|--|
| | FY 2013-14 Actual Collections | FY2014-15 Projected Collections |
| FY 2013-14 Revenue Summary | | |
| (L) | Total Available to fund FY 2014-15 Appropriations (L = C + D) | 20,936,911 |
| (M) | Total Appropriated in FY 2014-15 | 25,363,397 |
| (N) | Revenue Surplus/(Shortfall) | (\$4,426,486) |

¹ Indicates those receipts that have posted to the accounting system but have not yet been reconciled to the relevant sales/excise tax return. These receipts may affect the precision of the calculations to transfer or distribute the sales/excise taxes to their proper disposition.

During the interim between legislative sessions, Legislative Council produced an Issue Brief discussing the current law regarding the refund mechanism for TABOR, which is reproduced in Appendix E. Although these mechanisms exist to refund money collected in excess of the Referendum C cap, there is no refund mechanism in statute that applies to this situation.

The General Assembly may refer another ballot proposition to the voters to request permission to keep the taxes collected. Based on current statute, the \$30.5 million collected during FY 2014-15 that must be refunded in FY 2015-16 would be the same funds that would be available to support the program areas contemplated by S.B. 14-215 (Disposition of Legal Marijuana Related Revenue). **Therefore, staff recommends any of the discretionary programs supported by appropriations from the MTCF in FY 2015-16 only be funded contingent upon the voters allowing the state to retain the revenues subject to refund.** The Governor has requested that General Fund be set aside in FY 2014-15 to fund the expected refund. Staff is not making recommendations on which programs should be selected because the majority of those programs are administered by departments other than the Department of Revenue.

Alternative Refund Mechanism

The refund is triggered not from an over collection of taxes from the new excise and special sales tax but from the state fiscal year spending exceeding the Blue Book estimate. Therefore, the refund could be provided to all state taxpayers through income tax filings. Staff contemplated alternatives to providing a refund through the annual income tax structure. Knowing that the refund is likely going to total the entire amount collected from the special sales tax and excise tax, it would be logical to provide the refund to those consumers who were most likely to have paid them. Additionally, TABOR does not require refunds to be proportional when prior payments of taxes are impractical to identify or return.

If the General Assembly wishes to grant the TABOR refund to the segment of the population who likely paid the special sales tax on adult-use marijuana it could pass law directing the Department to curtail the special sales tax for a period of time. To achieve a reduction in taxes, the bill should also provide the reduced tax rate, effective date of reduction, and define termination conditions.

JBC Staff Budget Briefing: FY 2015-16
Staff Working Document – Does Not Represent Committee Decision

The Department indicates that if it is directed to reduce sales tax on recreational marijuana it could accomplish outreach to retailers via e-mail and postal letters. It would also issue press releases and post information about the tax abatement on its website. Those actions, the Department estimates, could be accomplished within existing staff resources. Other actions available to the Department, which would require additional resources, include making personal visits to retail locations to discuss and explain the tax reduction or hosting seminars for marijuana business tax-payers.

Staff has concerns that retail-marijuana establishments might view tax abatement as a windfall by continuing to charge “black box” style prices for marijuana. There does not seem to be a lot of consistency between retail-marijuana stores in the way they advertise the sales and special sales taxes; some stores advertise total price while others advertise base price plus tax. Staff believes this is a bigger issue that should be addressed through a special bill or administrative rulemaking. Staff could not locate a single advertisement that listed whether the advertised price included tax during a cursory glance through the *Westword* for advertisements of adult-use marijuana stores.

Staff agrees with the Department’s contention that effective outreach and noticing is critical to any TABOR refund accomplished this way. If the outreach portion of a sales tax reduction is not clearly communicated it would result in consumers having to apply directly to the Department for a refund if a retailer over-collected tax during the abatement period. The Department also states it is fair to assume that some retail establishments will fail to return to charging current rates on the exact prescribed date, which will increase the workload because the Department will need to perform audits to ensure systems were programmed properly and to assess for any under-collected tax.

Other expenses related to making the TABOR refund in this manner include the IT adjustments required to properly document the sales tax abatement. The GenTax system, a software-as-a-service, is managed by an outside vendor and any changes in the tax law require some amount of reprogramming. The Department estimates that the changes to the GenTax system, including both the reduction and reinstatement of the original rate of tax, will cost approximately \$50,000. The vendor needs at least a week of notice before it can finalize any of the needed programming changes.

Review of S.B. 14-215

Senate Bill 14-215 (Disposition of Legal Marijuana Related Revenue) created the Marijuana Tax Cash Fund (MTCF), which consists of excise tax revenue on wholesale marijuana which exceeds the \$40.0 million transfer to the Building Excellent Schools Today (BEST) program, revenues from the 10.0 percent special sales tax on retail marijuana less the local share² and regular sales tax of 2.9 percent on both retail and medical marijuana (see the flowchart on page 20)

The bill also places important guidelines on the timing and use of the MTCF. Statute limits the use of funds in the MTCF by requiring them to be spent in any fiscal year other than the collection fiscal year. The most recent Legislative Council forecast from September estimates

² Local governments receive 15.0 percent of the sales tax collected by stores in their territory.

JBC Staff Budget Briefing: FY 2015-16
Staff Working Document – Does Not Represent Committee Decision

\$33.6 million will be deposited in the MTCF during FY 2014-15 and will be available to fund programs in FY 2015-16, subject to the refund discussed above. Further, funds may be used to support specific categories of programs which include: the regulation of the marijuana industry, costs of public awareness campaigns, and programs focused on safety, health, and youth prevention.

Below is a summary of all the appropriations made from the MTCF. This includes appropriations made in S.B. 14-215, adjustments made to the general appropriations act, H.B. 14-1336 (Long Bill), and transfers from the MTCF to the General Fund.

FY 2014-15 Appropriation and FY 2015-16 Request
Summary from the Marijuana Tax Cash Fund

| Program/Description | Department | FY 2014-15 Appropriation | FY 2015-16 Request | Annual Change |
|---|------------|-----------------------------|-----------------------|------------------|
| MCTF Reserve (6.5 % of Available Revenue) | | | \$2,184,000 | |
| Marijuana Enforcement Division through H.B. 14-1336 | REV | \$7,600,000 | \$7,600,000 | \$0 |
| General Fund Transfers from Marijuana Tax Cash Fund | | | | |
| Transfer to General Fund--CIRCLE/SBIRT | HUM/HCPF | 2,000,000 | 2,130,000 | 130,000 |
| Transfer to General Fund--School based prevention and intervention services | HCPF | 2,130,000 | 1,999,674 | (130,326) |
| Transfer to General Fund--School based early intervention and prevention services grant program | HCPF | 2,130,000 | 0 | (2,130,000) |
| Adjustments made by S.B. 14-215 to H.B. 14-1336 (Long Bill) | | | | |
| Division of Criminal Justice implementation of S.B. 14-215 | PBS | 45,000 | 45,000 | 0 |
| Peace Officer Standards Training Board Support | LAW | 76,000 | 76,000 | 0 |
| Cannabis health environmental and epidemiological training, outreach, and surveillance | PBH | 320,388 | 320,388 | 0 |
| Division of Criminal Justice implementation of S.B. 14-215 | PBS | 159,983 | 159,983 | 0 |
| Appropriations | | | | |
| School Health Profession Grant Program | EDU | 2,500,000 | 2,280,444 | (219,556) |
| Office of Marijuana Coordination | GOV | 190,097 | 190,097 | 0 |
| Tony Gramscas youth service program | HUM | 2,000,000 | 2,000,000 | 0 |
| Substance use disorder treatment services for adolescents and pregnant women | HUM | 1,500,000 | 0 | (1,500,000) |
| Expansion and enhancement of jail-based behavior health services | HUM | 2,000,000 | 0 | (2,000,000) |
| Enhancement of S.B. 91-094 programs | HUM | 2,000,000 | 0 | (2,000,000) |
| Marijuana Special Prosecutions Unit | LAW | 456,760 | 436,766 | (19,994) |
| Peace Officer Standards and Training (POST) Board expanded training activities | LAW | 1,168,000 | 1,168,000 | 0 |
| Public awareness campaign | PBH | 5,683,608 | 4,650,000 | (1,033,608) |
| Healthy Kids Colorado survey | PBH | 903,561 | 781,789 | (121,772) |
| Child welfare training | HUM | 100,000 | 0 | (100,000) |

JBC Staff Budget Briefing: FY 2015-16
Staff Working Document – Does Not Represent Committee Decision

FY 2014-15 Appropriation and FY 2015-16 Request
Summary from the Marijuana Tax Cash Fund

| Program/Description | Department | FY 2014-15 Appropriation | FY 2015-16 Request | Annual Change |
|--|------------|-----------------------------|-----------------------|--------------------|
| New Spending Requested in FY 2015-16 | | | | |
| TRA R1 Marijuana-impaired driving campaign | TRA | 0 | 450,000 | 450,000 |
| PBS R3 Public safety intelligence support | PBS | 0 | 145,328 | 145,328 |
| Placeholder for data collection in the Governor's Office ¹ | GOV | 0 | 150,000 | 150,000 |
| Placeholder for potential legislative proposals | other | 0 | 400,000 | 400,000 |
| Fund S.B. 14-215 FY 2014-15 with current year revenue (equals the revenue shortfall in FY 2014-15) | other | <u>\$0</u> | <u>\$6,424,672</u> | <u>\$6,424,672</u> |
| Total | | \$25,363,397 | \$33,592,141 | (\$1,555,256) |
| Marijuana Tax Cash Fund Revenue Transferred on July 1, 2014 | | \$18,938,725 | | |
| Revenue Surplus/(Shortfall) | | (\$6,424,672) | | |

Included in the Governor's request is a request to use current fiscal year revenues to fund the FY 2014-15 programs, however, if approved as requested, it requires statutory change to allow current fiscal year spending from the MTCF for programs other than the direct and indirect costs of administration by the Department. Due to the volatility and unpredictable nature of the new marijuana industry and the revenues the state generates from it, S.B. 14-215 limits appropriations to the fiscal year after which the taxes are collected.

The above table provides data to drive a couple decisions the Committee needs to consider:

- First, does the Committee want to change statute and fund FY 2014-15 appropriations with revenue collected in FY 2014-15 or does the Committee want to reduce FY 2014-15 appropriations.
- Second, assuming \$30.5 million needs to be refunded during FY 2015-16 and that the Governor's request for FY 2015-16 MTCF appropriations total \$33.6 million, does the Committee want to make any appropriations in FY 2015-16 that exceed \$3.1 million.

Issue: R1 DMV Funding Deficit

The Department of Revenue requests \$4.2 million General Fund and a corresponding reduction in its appropriation from the Licensing Services Cash Fund to address a deficit between the appropriation needed to maintain operations and revenue deposited into the Licensing Services Cash Fund.

SUMMARY:

- The Licensing Services Cash Fund pays for the cost of administration, personal services, and operating expenses incurred in the operation of the driver's license offices. Revenue is collected from the issuance of driver's licenses, commercial driver's licenses, permits, identification cards, and special license plates.
- This request continues the Department's efforts to improve customer service, reduce wait times, ensure a stable funding mechanism, and improve funding transparency that began with the approval of several budget requests in the FY 2014-15 budget cycle.
- Senate Bill 14-194 gave the Department limited authority to raise fees on various driver's licensing activities, however, even with increased fee revenue, the Department projects that the Licensing Services Cash Fund will be short \$4.2 million for FY 2015-16.

RECOMMENDATION:

Staff recommends the Committee discuss whether it wishes to have the Department request General Fund every year the Division of Motor Vehicles needs to supplement revenues collected by the Licensing Services Cash Fund.

DISCUSSION:

The purpose of the Licensing Services Cash Fund (LSCF), created in Section 42-2-114.5, C.R.S., is to pay the direct and indirect expenses incurred by the Division of Motor Vehicles. It receives all the fee revenue from a number of fees charged by the Division. Many of the fees that are credited to the LSCF are distributed to multiple accounts and cash funds; for example, the driver's license fee of \$20.40 includes \$15.00 which is credited to the Highway Users Tax Fund (HUTF) and \$5.40 which is credited to the LSCF. Originally, all revenue remained in the LSCF at the end of the fiscal year and did not revert to the General Fund or any other fund.

Established by S.B. 07-241, the LSCF has been modified a number of times since its creation. During the 2009 legislative session, two bills passed that impacted the LSCF. Senate Bill 09-274 mandated that the entire \$20.40 fee relating to driver's licenses be credited to the LSCF in FY 2009-10 to support driver license services, and S.B. 09-279 required approximately \$2.6 million be transferred out of the LSCF to the General Fund in FY 09-10. House Bill 10-1387 extended the diversion of fees from the HUTF established in S.B. 09-279 for fees from driver's license

JBC Staff Budget Briefing: FY 2015-16
Staff Working Document – Does Not Represent Committee Decision

examinations and from driver's licenses, commercial driver's licenses, learner's permits, minor driver's licenses, and identification cards issued by the department. It also mandated that the LSCF balance in excess of 16.5 percent of the total appropriation be swept into the HUTF. Finally, H.B. 12-1216 again extended the cash financing of the Division through FY 2014-15.

This funding request continues the Department's efforts to modernize the operations and financing of the Division. The modernization effort began with approval of four of the Department's budget requests during the FY 2014-15 budget cycle. R1, "DMV Funding Deficit" provided a one-time General Fund Appropriation of \$6.2 million to address the structural deficit and help build a reserve balance in the LSCF. R2, "DMV Customer Services Enhancements" expanded staffing by 52.0 FTE and *Wait Less* technology at driver's license offices to improve customer service and reduce wait times. R3, "DMV-Driver License Examination Reclassification" reclassified 226 Examiner positions to the Technician class to minimize turnover and enhance recruitment. The requests were approved and included in the FY 2014-15 Long Bill (H.B. 14-1336) and statutory changes required were made through the JBC sponsored bill, S.B. 14-194.

Senate Bill 14-194 authorized the DMV to increase fees for certain services and to set fees for services for which no fee was previously charged beginning July 1, 2015. The fee increases are capped at a maximum 20.0 percent in FY 2015-16 and 5.0 percent in subsequent years. Funding for the requests and the changes to statute made in S.B. 14-194 provided an ongoing financing plan, eliminated fund balance transfers, and realigned the Long Bill structure with Division operations. While the legislative actions taken during the 2014 legislative session provided the Division with a comprehensive financing plan the Department projects that even if the Department raises fees maximum amount authorized in FY 2015-16 it will still have a gap between the LSCF appropriations needed to support its operations and anticipated revenues.

The Department recently modified the revenue model used to project LSCF revenues to include additional data that was not previously available. By including document expiration data, seasonal, and current revenue trends the Department contends the new model more accurately describes the LSCF in its current state. The model is projecting a gap in funding for FY 2015-16 of \$4.2 million. Below are the calculations made by the Department in its request:

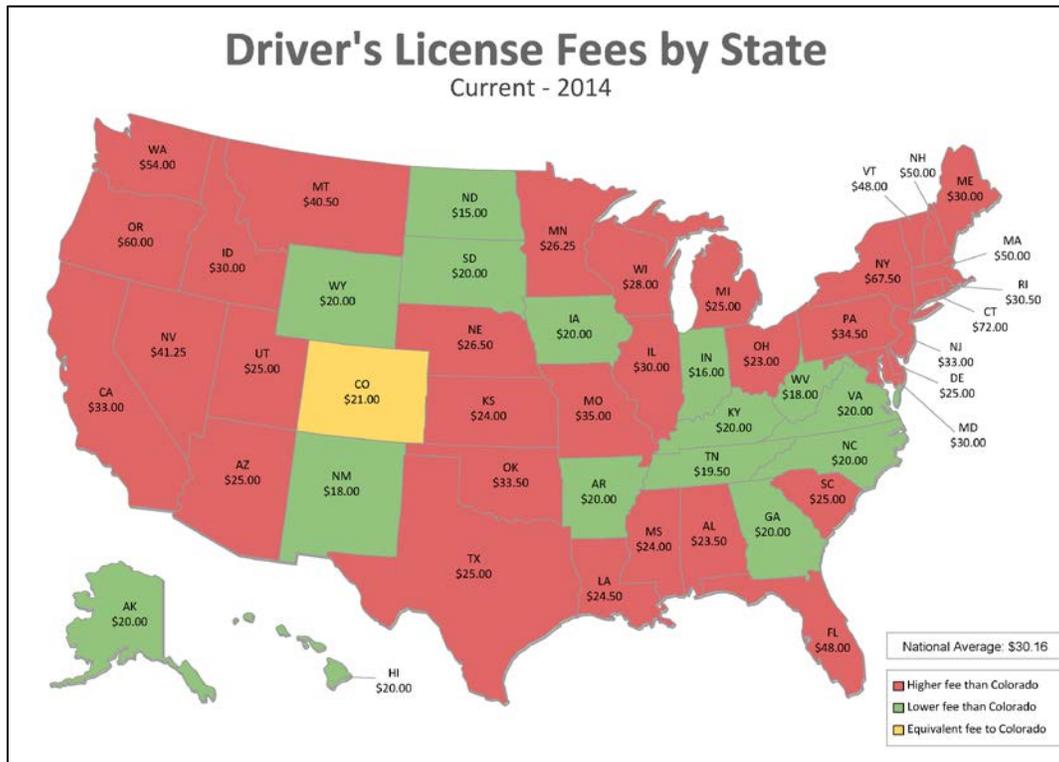
| LSCF Cash Fund Projection | | | |
|----------------------------------|---|-------------------|-------------------|
| | | FY 2015-16 | FY 2016-17 |
| (A) | Beginning Cash Fund Balance | \$2,882,638 | \$4,550,341 |
| (B) | Projected Fee Revenue without Fee Increase | 25,272,797 | 24,670,940 |
| (C) | Revenue expected if fees increased by maximum allowed | <u>3,972,728</u> | <u>3,857,188</u> |
| (D) | Projected Revenue Total (B + C = D) | 29,245,525 | 28,528,128 |

JBC Staff Budget Briefing: FY 2015-16
Staff Working Document – Does Not Represent Committee Decision

| LSCF Cash Fund Projection | | FY 2015-16 | FY 2016-17 |
|----------------------------------|---|-------------------|-------------------|
| (E) | Appropriation needed to fund DMV | 31,776,884 | 32,225,937 |
| (F) | General Fund Request for funding gap (E - D = F) | 2,531,359 | 3,697,810 |
| (G) | General Fund Request for target cash fund reserve | <u>1,667,703</u> | <u>134,592</u> |
| (H) | Required LSCF Appropriation (E - F - G = H) | 27,577,822 | 28,393,535 |
| (I) | Total General Fund Request (F + G = H) | 4,199,062 | 3,832,402 |
| (J) | Year End 16.5 fund reserve balance (A+ D - H = J) | \$4,550,341 | \$4,684,933 |

As the above table demonstrates, the Department projects there will continue to be a funding gap in FY 2016-17 and beyond. The Department expects to make similar requests in future years due to the limitations on fee setting.

The Division has some room to increase licensing fees because regular driver's license fees in the country range from \$15.00 in North Dakota to \$67.50 in New York and the national average is \$30.16. The Division will increase regular driver's license fees to \$25 in FY 2015-16. Regular licensing fees by state are provided in the map below:



JBC Staff Budget Briefing: FY 2015-16
Staff Working Document – Does Not Represent Committee Decision

The Department anticipates that if it were to increase fees by the maximum allowed in subsequent years, a funding deficit would still be encountered.

According to the Department, if this request is not funded for FY 2015-16, the Division will need to reduce expenditures by nearly \$2.5 million in order to align spending with revenue projections. To put this problem into perspective, 54 Driver's License Technicians would have to be laid off. This would cause major setbacks to the customer service initiatives that were funded in the FY 2014-15 budget. Specifically, this reduction would: (1) eliminate the funding for 52 new Driver's License Technicians funded in FY 2014-15; (2) cause significant delays in the optimization of the newly installed automated knowledge testing system (CATS); (3) delay replacement of equipment such as optical testing machines; (4) defer all but health and safety maintenance projects at driver license offices; (5) curtail all travel including regular visits to regional driver license offices; (6) defer discretionary operating spending; and, (7) dramatically increase customer wait times, inconvenience, and dissatisfaction resulting in a poor customer experience contrary to both the Department's and the DMV's strategic goals.

Issue: R2 Colorado Automated Testing System (CATS) Maintenance and Support

The Department is requesting \$179,010 General Fund, which annualizes to \$179,010 General Fund to provide ongoing hardware and software maintenance, licenses, remote hosting services on the Colorado Automated Testing System (CATS), which the Department utilizes to administer commercial driver's licensing and regular driver's licensing knowledge tests.

SUMMARY:

- The Division is responsible for complying with Commercial Driver's Licensing regulations promulgated by the Federal Motor Carrier Safety Administration. New regulations become effective on July 8, 2015, and while not requiring automated testing, make demands of the knowledge test that are more easily accomplished through automated testing.
- The Division has authority to use several federal funding streams to make the initial purchase of the Colorado Automated Testing System (CATS), which are expected to be fully deployed by the end of FY 2014-15. While initial funding for the CATS was related specifically to commercial driver's licensing, the Division received permission to utilize the system for all knowledge tests, with a preference for those taking the commercial driving test.
- The federal funding streams are one-time funding and do not provide ongoing maintenance and support of the CATS. If approved, this funding will ensure CATS systems do not fall into disrepair and reduce their lifetime usefulness.

RECOMMENDATION:

Staff recommends the Committee approve the Department's request to provide ongoing maintenance and support for the Colorado Automated Testing System by appropriating \$179,010 General Fund in FY 2015-16 and beyond.

DISCUSSION:

On July 8, 2011, the Federal Motor Carrier Safety Administration (FMCSA) published a number of new and amended rules which included setting certain requirements for Commercial Driver's License (CDL) issuance. The relevant part of the amended regulations are found in Section 49 C.F.R. 383.133 and sets minimum standards for the knowledge and skills tests applicants are required to pass to receive their CDL.

To summarize the requirements included in the federal regulation, states were directed to implement CDL testing requirements by July 8, 2015. The regulations require states to use the pre-approved pool of test questions and the knowledge tests given to applicants must meet four specifications: (1) the difficulty level of questions must fall within a set range; (2) 25.0 percent of questions on a test must be new questions that were not contained in the previous version of

JBC Staff Budget Briefing: FY 2015-16
Staff Working Document – Does Not Represent Committee Decision

the test; (3) questions from previous tests must be located in different locations and answers reordered; and (4) each test must contain a set number of questions from each knowledge area. The regulations do not require knowledge tests to be administered on a computer but the rules lead staff to believe they are written to encourage automated testing systems. States are specifically allowed to administer the tests in written, verbal, or in automated formats.

The Division operated a computer testing system for its CDL applicants between FY 2003-04 and FY 2013-14. The systems were originally purchased using one time grant funds from the FMCSA but, ultimately the systems fell into disrepair due to the lack of funding to provide maintenance. The last of these systems were retired in FY2013-14 when only 3.6 percent of CDL knowledge tests were administered. Noticing that the CDL automated systems were falling into disrepair the Division secured funding to return to an automated testing environment.

In 2009, the Division received a grant of approximately \$1.0 million from the FMCSA through the Commercial Driver License Program Improvement Program to purchase and install 94 testing machine. The Division was given permission to expand automated testing to include driver licenses, motorcycle licenses, and permits provided that CDL test applicants receive priority. The Division further leverage federal funding to purchase and install 68 more machines by obtaining a modification of a grant award from the Department of Homeland Security Grant Program, which totaled approximately \$550,000. Many of the testing systems are fully deployed with the Division finalizing deployment of the machines by the end of FY 2014-15. At that time, the Division will have 162 testing systems in its 43 drivers licensing offices by the end of FY 2014-15.

The Department involved OIT in the CATS project beginning with the initial concept through the final implementation. Although CATS is a vendor-hosted solution, OIT will remain involved as necessary. Both the Department and OIT have had Project Managers assigned to CATS throughout all stages of procurement, facilities coordination (wiring, cabling, network requirements, etc.), security, and installation. The OIT Project Manager is a member of the project team and has joint responsibility with the Department Project Manager to keep the project on time, identify issues, and escalate them when necessary.

During a program review in November 2013, the FMSCA found numerous weaknesses with Colorado's approach to knowledge testing. Colorado was not given written findings because FMSCA had already approved grant funds for replacing the automated testing system with CATS.

FMSCA found many issues that could easily lead to fraud in knowledge-based testing. Although it is important to virtually eliminate fraud in all testing, the FMSCA is particularly concerned with CDL testing fraud. The issues in the paper-based testing system are:

- The Division was only using three versions of the paper test. These tests were created from the original automated testing system. No other printed versions of the test were available.
- No visual oversight at the testing stations. Applicants were handed a paper test and sent to a large counter area with small partitions to take the knowledge test.

JBC Staff Budget Briefing: FY 2015-16
Staff Working Document – Does Not Represent Committee Decision

- No controls to prevent an applicant who failed the knowledge test from getting the same test again when requesting the retake.
- Scoring and input of applicant’s score were manual, leading to options for entry errors and/or intentional fraud on the part of the Driver’s License Technician

The Division does not collect or maintain a database of statistics on knowledge testing fraud for Commercial Driver’s Licenses (CDL) or regular driver’s licenses, however, it did provide the following information.

In 2003, the Federal Bureau of Investigation and Department of Transportation Office of Inspector General conducted an investigation involving fraudulent testing for CDL’s in Colorado. The investigation spanned the years 2001-2004. During this time the DMV administered an estimated 215,000 CDL knowledge tests. Approximately 1,500 individuals (less than one percent) were investigated and found to have engaged in fraudulent testing practices during the knowledge skills test. These individuals’ licenses were cancelled and each were given the option to retake the written test.

In 2008 the Division conducted an internal audit that tested the validity of the 257,369 CDLs issued from 2002-2007. The DMV discovered approximately 300 licenses, or .12%, were issued to applicants who used false Social Security Numbers (SSN). The DMV promptly cancelled the fraudulent CDL’s and notified the license holder.

The Motor Vehicle Investigations Unit (MVIU) is instrumental in preventing, identifying and investigating fraudulent testing activities, and other types of fraud. Since 2010, MVIU has investigated 10 CDL fraud cases. Three of the cases involved the knowledge test. The individuals were charged with and found guilty of forgery. In each case the applicant had another person take the knowledge test in the applicant’s place.

Ultimately the federal funding streams allow for the procurement of the CATS devices and infrastructure, however, those streams do not include any funding for maintenance and support to ensure the systems continue to operate in the future as well as they will today. Therefore, the Department is requesting \$179,010 General Fund in FY 2015-16 which will annualize into the base request in future years. The General Fund Appropriation will provide ongoing hardware and software maintenance, licenses, remote hosting services, and an escrow account for required maintenance beginning January 2016. The table below shows the detail of costs that build to the requested figure.

| CATS Maintenance Request FY 2015-16 | | | |
|--|--------------|----------------------|------------------|
| | Units | Per Unit Cost | Total |
| Office Site License | 47 | \$400 | \$18,800 |
| Test Station License | 162 | \$400 | \$64,800 |
| Test Station Maintenance | 162 | \$450 | \$72,900 |
| Remote Hosting Services | 1 | \$20,612 | \$20,612 |
| Escrow Annual Maintenance Fee | 1 | \$1,898 | \$1,898 |
| Total General Fund Request | | | \$179,010 |

JBC Staff Budget Briefing: FY 2015-16
Staff Working Document – Does Not Represent Committee Decision

Staff believes ongoing maintenance and support is the most cost effective method the state can employ to comply with the CDL knowledge test requirements; the added benefit of utilizing the system for the majority of all licensing knowledge tests reinforces the need to provide maintenance.

JBC Staff Budget Briefing: FY 2015-16
Staff Working Document - Does Not Represent Committee Decision

Appendix A: Number Pages

| | FY 2012-13 Actual | FY 2013-14 Actual | FY 2014-15 Appropriation | FY 2015-16 Request | Request vs. Appropriation |
|--|------------------------------|------------------------------|-------------------------------------|-------------------------------|--------------------------------------|
|--|------------------------------|------------------------------|-------------------------------------|-------------------------------|--------------------------------------|

DEPARTMENT OF REVENUE
Barbara Brohl, Executive Director

(1) EXECUTIVE DIRECTOR'S OFFICE

Provides administrative, accounting, budgeting, human resource management, internal auditing, planning, and research and analysis. The Office receives various cash funds sources for the direct and indirect costs of administering the programs through the Department. The reappropriated funds sources are for the indirect costs of administering Departmentwide functions.

| | | | | |
|--|------------------|------------------|------------------|-------------------|
| Personal Services | <u>3,769,921</u> | <u>5,505,676</u> | <u>8,494,537</u> | <u>8,724,928</u> |
| FTE | 41.4 | 61.0 | 112.6 | 112.6 |
| General Fund | 750,563 | 1,748,922 | 3,845,760 | 3,721,003 |
| Cash Funds | 2,285,338 | 144,635 | 406,745 | 351,749 |
| Reappropriated Funds | 734,020 | 3,612,119 | 4,242,032 | 4,652,176 |
| Health, Life, and Dental | <u>7,870,131</u> | <u>8,182,768</u> | <u>8,924,637</u> | <u>10,192,353</u> |
| General Fund | 3,120,652 | 3,196,134 | 3,212,467 | 4,110,111 |
| Cash Funds | 4,749,479 | 4,775,200 | 5,403,539 | 6,082,242 |
| Reappropriated Funds | 0 | 211,434 | 308,631 | 0 |
| Short-term Disability | <u>104,868</u> | <u>117,770</u> | <u>153,779</u> | <u>158,402</u> |
| General Fund | 50,078 | 48,925 | 57,926 | 66,613 |
| Cash Funds | 54,790 | 65,242 | 89,498 | 91,789 |
| Reappropriated Funds | 0 | 3,603 | 6,355 | 0 |
| S.B. 04-257 Amortization Equalization Disbursement | <u>1,901,992</u> | <u>2,206,774</u> | <u>2,817,337</u> | <u>3,194,535</u> |
| General Fund | 900,566 | 925,665 | 1,060,378 | 1,341,578 |
| Cash Funds | 1,001,426 | 1,217,456 | 1,641,420 | 1,852,957 |
| Reappropriated Funds | 0 | 63,653 | 115,539 | 0 |

JBC Staff Budget Briefing: FY 2015-16
Staff Working Document - Does Not Represent Committee Decision

| | FY 2012-13 Actual | FY 2013-14 Actual | FY 2014-15 Appropriation | FY 2015-16 Request | Request vs. Appropriation |
|--|----------------------|----------------------|-----------------------------|-----------------------|------------------------------|
| S.B. 06-235 Supplemental Amortization Equalization | | | | | |
| Disbursement | <u>1,631,897</u> | <u>1,990,862</u> | <u>2,641,254</u> | <u>3,085,630</u> | |
| General Fund | 768,377 | 832,728 | 994,105 | 1,295,842 | |
| Cash Funds | 863,520 | 1,100,731 | 1,538,832 | 1,789,788 | |
| Reappropriated Funds | 0 | 57,403 | 108,317 | 0 | |
| Salary Survey | <u>0</u> | <u>1,583,162</u> | <u>1,882,386</u> | <u>1,013,694</u> | |
| General Fund | 0 | 593,035 | 984,502 | 437,145 | |
| Cash Funds | 0 | 990,127 | 897,884 | 576,549 | |
| Merit Pay | <u>0</u> | <u>913,775</u> | <u>640,667</u> | <u>726,034</u> | |
| General Fund | 0 | 371,263 | 253,483 | 296,561 | |
| Cash Funds | 0 | 542,512 | 387,184 | 429,473 | |
| Shift Differential | <u>0</u> | <u>35,690</u> | <u>123,439</u> | <u>123,728</u> | |
| General Fund | 0 | 3,743 | 3,988 | 3,858 | |
| Cash Funds | 0 | 31,947 | 119,451 | 119,870 | |
| Workers' Compensation | <u>770,411</u> | <u>793,612</u> | <u>932,407</u> | <u>987,323</u> | |
| General Fund | 319,286 | 321,756 | 356,425 | 402,645 | |
| Cash Funds | 451,125 | 471,856 | 575,982 | 584,678 | |
| Operating Expenses | <u>1,078,413</u> | <u>1,085,749</u> | <u>2,202,621</u> | <u>2,237,418</u> | |
| General Fund | 469,181 | 503,869 | 1,523,851 | 1,559,598 | |
| Cash Funds | 609,232 | 581,880 | 678,770 | 677,820 | |
| Postage | <u>0</u> | <u>0</u> | <u>3,001,383</u> | <u>3,008,040</u> | |
| General Fund | 0 | 0 | 2,663,773 | 2,670,430 | |
| Cash Funds | 0 | 0 | 337,610 | 337,610 | |

JBC Staff Budget Briefing: FY 2015-16
Staff Working Document - Does Not Represent Committee Decision

| | FY 2012-13 Actual | FY 2013-14 Actual | FY 2014-15 Appropriation | FY 2015-16 Request | Request vs. Appropriation |
|---|----------------------|----------------------|-----------------------------|-----------------------|------------------------------|
| Legal Services | <u>2,737,718</u> | <u>3,306,147</u> | <u>3,959,113</u> | <u>3,779,171</u> | |
| General Fund | 2,006,432 | 2,101,747 | 2,471,288 | 2,208,677 | |
| Cash Funds | 731,286 | 1,204,400 | 1,487,825 | 1,570,494 | |
| Administrative Law Judge Services | <u>14,200</u> | <u>16,777</u> | <u>9,924</u> | <u>8,097</u> | |
| Cash Funds | 14,200 | 16,777 | 9,924 | 8,097 | |
| Purchase of Services from Computer Center | <u>9,642,423</u> | <u>13,373,621</u> | <u>0</u> | <u>0</u> | |
| General Fund | 5,759,188 | 8,285,427 | 0 | 0 | |
| Cash Funds | 3,480,817 | 5,088,194 | 0 | 0 | |
| Reappropriated Funds | 402,418 | 0 | 0 | 0 | |
| Colorado State Network | <u>4,074,495</u> | <u>3,791,850</u> | <u>0</u> | <u>0</u> | |
| General Fund | 982,917 | 539,476 | 0 | 0 | |
| Cash Funds | 3,058,734 | 3,252,374 | 0 | 0 | |
| Reappropriated Funds | 32,844 | 0 | 0 | 0 | |
| Management and Administration of OIT | <u>546,549</u> | <u>605,439</u> | <u>0</u> | <u>0</u> | |
| General Fund | 406,147 | 120,546 | 0 | 0 | |
| Cash Funds | 124,180 | 484,893 | 0 | 0 | |
| Reappropriated Funds | 16,222 | 0 | 0 | 0 | |
| Payment to Risk Management and Property Funds | <u>239,245</u> | <u>218,016</u> | <u>250,807</u> | <u>190,593</u> | |
| General Fund | 90,479 | 82,705 | 97,131 | 77,962 | |
| Cash Funds | 148,766 | 135,311 | 153,676 | 112,631 | |
| Vehicle Lease Payments | <u>491,506</u> | <u>537,546</u> | <u>595,416</u> | <u>573,786</u> | * |
| General Fund | 118,041 | 137,908 | 158,376 | 152,990 | |
| Cash Funds | 373,465 | 399,638 | 437,040 | 420,796 | |

*This line item includes a decision item.

JBC Staff Budget Briefing: FY 2015-16
Staff Working Document - Does Not Represent Committee Decision

| | FY 2012-13 Actual | FY 2013-14 Actual | FY 2014-15 Appropriation | FY 2015-16 Request | Request vs. Appropriation |
|---------------------------------|------------------------------|------------------------------|-------------------------------------|-------------------------------|--------------------------------------|
| Leased Space | <u>3,286,126</u> | <u>3,434,088</u> | <u>3,776,641</u> | <u>3,899,690</u> | |
| General Fund | 556,685 | 597,725 | 663,360 | 682,040 | |
| Cash Funds | 2,729,441 | 2,836,363 | 3,113,281 | 3,217,650 | |
| Capitol Complex Leased Space | <u>1,683,593</u> | <u>2,153,455</u> | <u>1,666,699</u> | <u>2,566,264</u> | |
| General Fund | 1,091,129 | 1,375,688 | 1,100,014 | 1,865,434 | |
| Cash Funds | 592,464 | 777,767 | 566,685 | 700,830 | |
| Communication Services Payments | <u>69,144</u> | <u>82,173</u> | <u>0</u> | <u>0</u> | |
| General Fund | 12,975 | 14,066 | 0 | 0 | |
| Cash Funds | 56,169 | 68,107 | 0 | 0 | |
| Payments to OIT | <u>0</u> | <u>0</u> | <u>16,312,747</u> | <u>12,520,066</u> | |
| General Fund | 0 | 0 | 8,387,280 | 6,510,434 | |
| Cash Funds | 0 | 0 | 7,925,467 | 6,009,632 | |
| COFRS Modernization | <u>299,967</u> | <u>313,444</u> | <u>313,372</u> | <u>313,372</u> | |
| General Fund | 67,250 | 80,654 | 80,654 | 80,654 | |
| Cash Funds | 232,717 | 232,790 | 232,718 | 232,718 | |
| Information Technology Security | <u>0</u> | <u>151,324</u> | <u>0</u> | <u>0</u> | |
| General Fund | 0 | 71,081 | 0 | 0 | |
| Cash Funds | 0 | 80,243 | 0 | 0 | |
| Utilities | <u>75,262</u> | <u>77,614</u> | <u>143,703</u> | <u>143,703</u> | |
| Cash Funds | 75,262 | 77,614 | 143,703 | 143,703 | |

JBC Staff Budget Briefing: FY 2015-16
Staff Working Document - Does Not Represent Committee Decision

| | FY 2012-13 Actual | FY 2013-14 Actual | FY 2014-15 Appropriation | FY 2015-16 Request | Request vs. Appropriation |
|--|------------------------------|------------------------------|-------------------------------------|-------------------------------|--------------------------------------|
| TOTAL - (1) Executive Director's Office | 40,287,861 | 50,477,332 | 58,842,869 | 57,446,827 | (2.4%) |
| <i>FTE</i> | <u>41.4</u> | <u>61.0</u> | <u>112.6</u> | <u>112.6</u> | <u>0.0%</u> |
| General Fund | 17,469,946 | 21,953,063 | 27,914,761 | 27,483,575 | (1.5%) |
| Cash Funds | 21,632,411 | 24,576,057 | 26,147,234 | 25,311,076 | (3.2%) |
| Reappropriated Funds | 1,185,504 | 3,948,212 | 4,780,874 | 4,652,176 | (2.7%) |

JBC Staff Budget Briefing: FY 2015-16
Staff Working Document - Does Not Represent Committee Decision

| | FY 2012-13 Actual | FY 2013-14 Actual | FY 2014-15 Appropriation | FY 2015-16 Request | Request vs. Appropriation |
|--|----------------------|----------------------|-----------------------------|-----------------------|------------------------------|
|--|----------------------|----------------------|-----------------------------|-----------------------|------------------------------|

(2) CENTRAL DEPARTMENT OPERATIONS DIVISION

This division maintained documents and records transactions for taxes, licensing, and other fee payments; deposits tax remittances; processes tax documents; issues income tax refunds; and handles a variety of incoming and outgoing mail. In FY 2014-15 this division merged with the Executive Director's Office and the Taxation Business Group.

| | | | | | |
|-------------------------|------------------|------------------|----------|----------|--|
| Personal Services | <u>5,022,357</u> | <u>4,085,533</u> | <u>0</u> | <u>0</u> | |
| FTE | 88.0 | 75.1 | 0.0 | 0.0 | |
| General Fund | 4,525,973 | 3,621,051 | 0 | 0 | |
| Cash Funds | 423,219 | 2,134 | 0 | 0 | |
| Reappropriated Funds | 73,165 | 462,348 | 0 | 0 | |
| Seasonal Tax Processing | <u>312,787</u> | <u>254,468</u> | <u>0</u> | <u>0</u> | |
| General Fund | 312,787 | 254,468 | 0 | 0 | |
| Operating Expenses | <u>1,153,909</u> | <u>1,066,873</u> | <u>0</u> | <u>0</u> | |
| General Fund | 1,131,481 | 1,062,935 | 0 | 0 | |
| Cash Funds | 22,428 | 3,938 | 0 | 0 | |
| Postage | <u>2,680,970</u> | <u>2,654,717</u> | <u>0</u> | <u>0</u> | |
| General Fund | 2,372,470 | 2,323,240 | 0 | 0 | |
| Cash Funds | 308,500 | 331,477 | 0 | 0 | |
| Document Management | <u>1,828,113</u> | <u>2,012,300</u> | <u>0</u> | <u>0</u> | |
| General Fund | 1,828,113 | 2,009,313 | 0 | 0 | |
| Cash Funds | 0 | 2,987 | 0 | 0 | |

| | | | | | |
|--|-------------|-------------|------------|------------|-------------|
| TOTAL - (2) Central Department Operations | | | | | |
| Division | 10,998,136 | 10,073,891 | 0 | 0 | 0.0% |
| FTE | <u>88.0</u> | <u>75.1</u> | <u>0.0</u> | <u>0.0</u> | <u>0.0%</u> |
| General Fund | 10,170,824 | 9,271,007 | 0 | 0 | 0.0% |
| Cash Funds | 754,147 | 340,536 | 0 | 0 | 0.0% |
| Reappropriated Funds | 73,165 | 462,348 | 0 | 0 | 0.0% |

JBC Staff Budget Briefing: FY 2015-16
Staff Working Document - Does Not Represent Committee Decision

| | FY 2012-13 Actual | FY 2013-14 Actual | FY 2014-15 Appropriation | FY 2015-16 Request | Request vs. Appropriation |
|--|----------------------|----------------------|-----------------------------|-----------------------|------------------------------|
|--|----------------------|----------------------|-----------------------------|-----------------------|------------------------------|

(3) INFORMATION TECHNOLOGY DIVISION

This division includes two sections: Systems Support, which provides most of the Department's information technology support; and the Colorado State Titling and Registration System (CSTARS). CSTARS is the motor vehicle titling and registration information system that automates the distribution of vehicle registration taxes among the State, counties, and the Highway Users Tax Fund (HUTF). The major cash fund is the Colorado State Titling and Registration Account.

(A) System Support

Provides information technology (IT) support to the majority of the Department's IT systems, including taxation, driver's licenses and related systems, and the Enforcement Business Group's systems. Appropriations in this division are for contract services for support of the systems. Support provided by the Office of Information Technology is appropriated in the EDO. Cash fund sources are from the various systems that are supported by this division.

| | | | | | |
|----------------------|----------------|------------------|------------------|----------------|--|
| Personal Services | <u>326,459</u> | <u>281,165</u> | <u>648,376</u> | <u>154,656</u> | |
| General Fund | 196,409 | 174,983 | 641,226 | 147,506 | |
| Cash Funds | 130,050 | 106,182 | 7,150 | 7,150 | |
| Reappropriated Funds | 0 | 0 | 0 | 0 | |
| | | | | | |
| Operating Expenses | <u>627,416</u> | <u>1,433,923</u> | <u>1,365,816</u> | <u>885,318</u> | |
| General Fund | 627,416 | 1,358,934 | 1,290,257 | 809,759 | |
| Cash Funds | 0 | 74,989 | 75,559 | 75,559 | |

| | | | | | |
|--------------------------------------|------------|------------|------------|------------|-------------|
| SUBTOTAL - (A) System Support | 953,875 | 1,715,088 | 2,014,192 | 1,039,974 | (48.4%) |
| <i>FTE</i> | <u>0.0</u> | <u>0.0</u> | <u>0.0</u> | <u>0.0</u> | <u>0.0%</u> |
| General Fund | 823,825 | 1,533,917 | 1,931,483 | 957,265 | (50.4%) |
| Cash Funds | 130,050 | 181,171 | 82,709 | 82,709 | 0.0% |
| Reappropriated Funds | 0 | 0 | 0 | 0 | 0.0% |

JBC Staff Budget Briefing: FY 2015-16
Staff Working Document - Does Not Represent Committee Decision

| | FY 2012-13 Actual | FY 2013-14 Actual | FY 2014-15 Appropriation | FY 2015-16 Request | Request vs. Appropriation |
|--|----------------------|----------------------|-----------------------------|-----------------------|------------------------------|
|--|----------------------|----------------------|-----------------------------|-----------------------|------------------------------|

(B) Colorado State Titling and Registration System

Provides contract IT support to the Colorado State Titling and Registration System, which ties the State and the county clerks together to provide a system that facilitates vehicle titling and registration. The source of funding is the Colorado State Titling and Registration Account of the HUTF.

| | | | | | |
|---------------------------------|------------------|------------------|------------------|------------------|--|
| Personal Services | <u>467,818</u> | <u>309,502</u> | <u>442,688</u> | <u>442,688</u> | |
| Cash Funds | 467,818 | 309,502 | 442,688 | 442,688 | |
| Operating Expenses | <u>2,599,099</u> | <u>2,217,956</u> | <u>2,617,535</u> | <u>2,617,535</u> | |
| Cash Funds | 2,599,099 | 2,217,956 | 2,617,535 | 2,617,535 | |
| County Office Asset Maintenance | <u>568,230</u> | <u>481,794</u> | <u>568,230</u> | <u>568,230</u> | |
| Cash Funds | 568,230 | 481,794 | 568,230 | 568,230 | |
| County Office Improvements | <u>32,964</u> | <u>32,964</u> | <u>40,000</u> | <u>40,000</u> | |
| Cash Funds | 32,964 | 32,964 | 40,000 | 40,000 | |

| | | | | | |
|--|------------|------------|------------|------------|-------------|
| SUBTOTAL - (B) Colorado State Titling and Registration System | 3,668,111 | 3,042,216 | 3,668,453 | 3,668,453 | 0.0% |
| <i>FTE</i> | <u>0.0</u> | <u>0.0</u> | <u>0.0</u> | <u>0.0</u> | <u>0.0%</u> |
| Cash Funds | 3,668,111 | 3,042,216 | 3,668,453 | 3,668,453 | 0.0% |

| | | | | | |
|--|------------|------------|------------|------------|-------------|
| TOTAL - (3) Information Technology Division | 4,621,986 | 4,757,304 | 5,682,645 | 4,708,427 | (17.1%) |
| <i>FTE</i> | <u>0.0</u> | <u>0.0</u> | <u>0.0</u> | <u>0.0</u> | <u>0.0%</u> |
| General Fund | 823,825 | 1,533,917 | 1,931,483 | 957,265 | (50.4%) |
| Cash Funds | 3,798,161 | 3,223,387 | 3,751,162 | 3,751,162 | 0.0% |
| Reappropriated Funds | 0 | 0 | 0 | 0 | 0.0% |

JBC Staff Budget Briefing: FY 2015-16
Staff Working Document - Does Not Represent Committee Decision

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|--|----------------------|----------------------|-----------------------------|-----------------------|------------------------------|
|--|----------------------|----------------------|-----------------------------|-----------------------|------------------------------|

(4) TAXATION BUSINESS GROUP

The Taxation Business Group administers business taxes; income taxes; severance taxes; estate and transfer taxes; special taxes, including gasoline, special fuel, aviation fuel, cigarette, tobacco, liquor and marijuana excise taxes; public utility assessments; and food service licensing fees. Sources of cash funds include the Marijuana Cash Fund, the Tobacco Tax Enforcement Cash Fund, Highway Users Tax Fund, and various other sources of cash fund. Sources of reappropriated funds include division indirect cost recoveries, the State Board of Land Commissioners, and the Oil and Gas Conservation Commission.

(A) Administration

This section provides administrative support for the Taxation Business Group, including budgeting, human resources, and other support.

| | | | | | |
|--|----------------|----------------|----------------|----------------|--|
| Personal Services | <u>525,068</u> | <u>452,003</u> | <u>509,645</u> | <u>523,805</u> | |
| FTE | 5.6 | 4.7 | 5.0 | 5.0 | |
| General Fund | 522,472 | 450,332 | 507,914 | 521,452 | |
| Cash Funds | 2,596 | 1,671 | 1,731 | 2,353 | |
| Operating Expenses | <u>7,707</u> | <u>8,576</u> | <u>13,100</u> | <u>13,100</u> | |
| General Fund | 7,707 | 8,576 | 13,100 | 13,100 | |
| Colorado Integrated Tax Architecture Maintenance and Support | 0 | 2,917,000 | 5,828,730 | 3,831,650 | |
| General Fund | 0 | 1,587,600 | 3,944,730 | 3,821,650 | |
| Cash Funds | 0 | 1,329,400 | 1,884,000 | 10,000 | |

| | | | | | |
|--------------------------------------|------------|------------|------------|------------|-------------|
| SUBTOTAL - (A) Administration | 532,775 | 3,377,579 | 6,351,475 | 4,368,555 | (31.2%) |
| FTE | <u>5.6</u> | <u>4.7</u> | <u>5.0</u> | <u>5.0</u> | <u>0.0%</u> |
| General Fund | 530,179 | 2,046,508 | 4,465,744 | 4,356,202 | (2.5%) |
| Cash Funds | 2,596 | 1,331,071 | 1,885,731 | 12,353 | (99.3%) |

JBC Staff Budget Briefing: FY 2015-16
Staff Working Document - Does Not Represent Committee Decision

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|--|----------------------|----------------------|-----------------------------|-----------------------|------------------------------|
|--|----------------------|----------------------|-----------------------------|-----------------------|------------------------------|

(B) Taxation and Compliance Division

This Division ensures compliance with Colorado's tax laws by conducting compliance audits on individual and corporate income tax returns, sales tax submissions, and other tax returns. The Mineral Audit Program audits royalty returns associated with oil, natural gas, coal, and other mineral extraction on federal, state, and private lands.

| | | | | | |
|--|-------------------|-------------------|-------------------|-------------------|-------------|
| Personal Expenses | <u>15,380,745</u> | <u>15,380,359</u> | <u>16,828,902</u> | <u>17,406,855</u> | |
| FTE | 218.6 | 0.0 | 237.3 | 239.6 | |
| General Fund | 15,230,686 | 14,843,976 | 15,640,210 | 16,212,135 | |
| Cash Funds | 0 | 309,766 | 1,034,607 | 1,040,635 | |
| Reappropriated Funds | 150,059 | 226,617 | 154,085 | 154,085 | |
| Operating Expenses | <u>922,123</u> | <u>906,698</u> | <u>1,101,076</u> | <u>1,075,591</u> | |
| General Fund | 922,123 | 879,433 | 1,074,935 | 1,049,450 | |
| Cash Funds | 0 | 27,265 | 26,141 | 26,141 | |
| Joint Audit Program | <u>131,244</u> | <u>131,244</u> | <u>131,244</u> | <u>131,244</u> | |
| General Fund | 131,244 | 131,244 | 131,244 | 131,244 | |
| Mineral Audit Program | <u>815,882</u> | <u>815,882</u> | <u>890,388</u> | <u>890,388</u> | |
| FTE | 11.6 | 11.6 | 10.2 | 10.2 | |
| Reappropriated Funds | 22,047 | 22,047 | 66,000 | 66,000 | |
| Federal Funds | 793,835 | 793,835 | 824,388 | 824,388 | |
| SUBTOTAL - (B) Taxation and Compliance Division | 17,249,994 | 17,234,183 | 18,951,610 | 19,504,078 | 2.9% |
| FTE | <u>230.2</u> | <u>11.6</u> | <u>247.5</u> | <u>249.8</u> | <u>0.9%</u> |
| General Fund | 16,284,053 | 15,854,653 | 16,846,389 | 17,392,829 | 3.2% |
| Cash Funds | 0 | 337,031 | 1,060,748 | 1,066,776 | 0.6% |
| Reappropriated Funds | 172,106 | 248,664 | 220,085 | 220,085 | 0.0% |
| Federal Funds | 793,835 | 793,835 | 824,388 | 824,388 | 0.0% |

JBC Staff Budget Briefing: FY 2015-16
Staff Working Document - Does Not Represent Committee Decision

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|--|----------------------|----------------------|-----------------------------|-----------------------|------------------------------|
|--|----------------------|----------------------|-----------------------------|-----------------------|------------------------------|

(C) Taxpayer Service Division

This Division assists individual and business taxpayers through regional service centers and a call center; issues tax licenses and permits to businesses; collects local sales and use taxes for many cities, counties, and special districts; and issues individual and business tax refunds. The Fuel Tracking System tracks the movement of gasoline and special fuels with the goal of expediting the collection of excise taxes.

| | | | | | |
|--------------------------|------------------|------------------|------------------|------------------|--|
| Personal Services | <u>4,449,040</u> | <u>4,596,929</u> | <u>6,348,415</u> | <u>6,686,987</u> | |
| FTE | 77.7 | 78.6 | 105.2 | 108.6 | |
| General Fund | 4,418,205 | 4,472,749 | 6,094,077 | 6,449,064 | |
| Cash Funds | 30,835 | 124,180 | 254,338 | 237,923 | |
| Operating Expenses | <u>260,968</u> | <u>349,547</u> | <u>473,458</u> | <u>466,507</u> | |
| General Fund | 260,968 | 349,547 | 469,728 | 462,777 | |
| Cash Funds | 0 | 0 | 3,730 | 3,730 | |
| Seasonal Tax Processing | <u>0</u> | <u>0</u> | <u>296,391</u> | <u>296,391</u> | |
| General Fund | 0 | 0 | 296,391 | 296,391 | |
| Document Management | <u>0</u> | <u>0</u> | <u>1,917,354</u> | <u>1,917,354</u> | |
| General Fund | 0 | 0 | 1,877,849 | 1,877,849 | |
| Cash Funds | 0 | 0 | 39,505 | 39,505 | |
| Fuel Tracking System | <u>473,037</u> | <u>627,572</u> | <u>489,161</u> | <u>492,642</u> | |
| FTE | 1.5 | 1.5 | 1.5 | 1.5 | |
| Cash Funds | 473,037 | 627,572 | 489,161 | 492,642 | |
| Indirect Cost Assessment | <u>0</u> | <u>6,450</u> | <u>8,120</u> | <u>10,380</u> | |
| Cash Funds | 0 | 6,450 | 8,120 | 10,380 | |

JBC Staff Budget Briefing: FY 2015-16
Staff Working Document - Does Not Represent Committee Decision

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|---|----------------------|----------------------|-----------------------------|-----------------------|------------------------------|
| SUBTOTAL - (C) Taxpayer Service Division | 5,183,045 | 5,580,498 | 9,532,899 | 9,870,261 | 3.5% |
| <i>FTE</i> | <u>79.2</u> | <u>80.1</u> | <u>106.7</u> | <u>110.1</u> | <u>3.2%</u> |
| General Fund | 4,679,173 | 4,822,296 | 8,738,045 | 9,086,081 | 4.0% |
| Cash Funds | 503,872 | 758,202 | 794,854 | 784,180 | (1.3%) |

(D) Tax Conferee

Attempts to resolve tax disputes, including those pertaining to gross conservation easements, before the issues go to court and review issues related to home rule city and county sales and use taxes.

| | | | | | |
|------------------------------------|------------------|------------------|------------------|------------------|-------------|
| Personal Services | <u>2,182,473</u> | <u>1,625,748</u> | <u>2,663,329</u> | <u>2,649,239</u> | |
| FTE | 13.0 | 12.9 | 12.2 | 12.5 | |
| General Fund | 2,182,473 | 1,625,748 | 2,663,329 | 2,649,239 | |
| Operating Expenses | <u>20,463</u> | <u>25,172</u> | <u>61,174</u> | <u>64,751</u> | |
| General Fund | 20,463 | 25,172 | 61,174 | 64,751 | |
| SUBTOTAL - (D) Tax Conferee | 2,202,936 | 1,650,920 | 2,724,503 | 2,713,990 | (0.4%) |
| <i>FTE</i> | <u>13.0</u> | <u>12.9</u> | <u>12.2</u> | <u>12.5</u> | <u>2.5%</u> |
| General Fund | 2,202,936 | 1,650,920 | 2,724,503 | 2,713,990 | (0.4%) |

(E) Special Purpose

Distributes applicable percentage of gross cigarette taxes and Amendment 35 taxes to cities and counties, distributes grants to assist low-income, disabled, and elderly citizens with payment of property taxes and heat and fuel expenses, and issues rebates of sales taxes to qualified entities under the Commercial Vehicle Enterprise Sales Tax Refund program.

| | | | | | |
|--|-------------------|-------------------|------------------|------------------|--|
| Cigarette Tax Rebate | <u>10,739,380</u> | <u>10,428,361</u> | <u>8,800,000</u> | <u>8,100,000</u> | |
| General Fund | 10,739,380 | 10,428,361 | 8,800,000 | 8,100,000 | |
| Amendment 35 Distribution to Local Governments | <u>1,289,435</u> | <u>1,264,830</u> | <u>1,314,900</u> | <u>1,314,900</u> | |
| Cash Funds | 1,289,435 | 1,264,830 | 1,314,900 | 1,314,900 | |

JBC Staff Budget Briefing: FY 2015-16
Staff Working Document - Does Not Represent Committee Decision

| | FY 2012-13 Actual | FY 2013-14 Actual | FY 2014-15 Appropriation | FY 2015-16 Request | Request vs. Appropriation |
|---|----------------------|----------------------|-----------------------------|-----------------------|------------------------------|
| Old Age Heat and Fuel and Property Tax Assistance | | | | | |
| Grant | <u>6,582,510</u> | <u>6,030,061</u> | <u>9,256,965</u> | <u>8,400,000</u> | |
| General Fund | 6,582,510 | 6,030,061 | 9,256,965 | 8,400,000 | |
| Commercial Vehicle Enterprise Sales Tax Refund | <u>21,612</u> | <u>27,142</u> | <u>120,524</u> | <u>120,524</u> | |
| Cash Funds | 21,612 | 27,142 | 120,524 | 120,524 | |
| Retail Marijuana Sales Tax Distribution to Local | | | | | |
| Governments | <u>0</u> | <u>1,359,814</u> | <u>9,191,790</u> | <u>7,400,000</u> | |
| General Fund | 0 | 1,359,814 | 9,191,790 | 7,400,000 | |
| SUBTOTAL - (E) Special Purpose | 18,632,937 | 19,110,208 | 28,684,179 | 25,335,424 | (11.7%) |
| <i>FTE</i> | <u>0.0</u> | <u>0.0</u> | <u>0.0</u> | <u>0.0</u> | <u>0.0%</u> |
| General Fund | 17,321,890 | 17,818,236 | 27,248,755 | 23,900,000 | (12.3%) |
| Cash Funds | 1,311,047 | 1,291,972 | 1,435,424 | 1,435,424 | 0.0% |
| TOTAL - (4) Taxation Business Group | 43,801,687 | 46,953,388 | 66,244,666 | 61,792,308 | (6.7%) |
| <i>FTE</i> | <u>328.0</u> | <u>109.3</u> | <u>371.4</u> | <u>377.4</u> | <u>1.6%</u> |
| General Fund | 41,018,231 | 42,192,613 | 60,023,436 | 57,449,102 | (4.3%) |
| Cash Funds | 1,817,515 | 3,718,276 | 5,176,757 | 3,298,733 | (36.3%) |
| Reappropriated Funds | 172,106 | 248,664 | 220,085 | 220,085 | 0.0% |
| Federal Funds | 793,835 | 793,835 | 824,388 | 824,388 | 0.0% |

JBC Staff Budget Briefing: FY 2015-16
Staff Working Document - Does Not Represent Committee Decision

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|--|----------------------|----------------------|-----------------------------|-----------------------|------------------------------|
|--|----------------------|----------------------|-----------------------------|-----------------------|------------------------------|

(5) DIVISION OF MOTOR VEHICLES (OLD STRUCTURE)

The Division includes Administration, Driver Services, and Vehicle Services. The major sources of cash funds include: the Licensing Services Cash Fund, the License Plate Cash Fund, the Colorado State Titling and Registration Account, the Drivers' License Administrative Revocation Account, the Department of Revenue Subaccount of the AIR Account in the Highway Users Tax Fund (HUTF), the First Time Drunk Driving Offender Account in the HUTF, the Identification Security Fund, the Motorist Insurance Identification Account, and various other sources. The Division was restructured in FY 2014-15 and these numbers pages show appropriations prior to the reorganization.

(A) Administration

| | | | | | |
|--------------------|----------------|----------------|----------|----------|--|
| Personal Services | <u>751,993</u> | <u>716,922</u> | <u>0</u> | <u>0</u> | |
| FTE | 8.6 | 9.8 | 0.0 | 0.0 | |
| General Fund | 23,868 | 27,216 | 0 | 0 | |
| Cash Funds | 728,125 | 689,706 | 0 | 0 | |
| Operating Expenses | <u>50,111</u> | <u>29,194</u> | <u>0</u> | <u>0</u> | |
| General Fund | 1,590 | 1,582 | 0 | 0 | |
| Cash Funds | 48,521 | 27,612 | 0 | 0 | |

| | | | | | |
|--------------------------------------|------------|------------|------------|------------|-----------------|
| SUBTOTAL - (A) Administration | 802,104 | 746,116 | 0 | 0 | 0.0% |
| FTE | <u>8.6</u> | <u>9.8</u> | <u>0.0</u> | <u>0.0</u> | <u>(100.0%)</u> |
| General Fund | 25,458 | 28,798 | 0 | 0 | 0.0% |
| Cash Funds | 776,646 | 717,318 | 0 | 0 | 0.0% |

(B) Driver and Vehicle Services

| | | | | | |
|-------------------|-------------------|-------------------|----------|----------|--|
| Personal Services | <u>16,069,351</u> | <u>14,923,525</u> | <u>0</u> | <u>0</u> | |
| FTE | 359.8 | 343.6 | 0.0 | 0.0 | |
| General Fund | 568,203 | 713,961 | 0 | 0 | |
| Cash Funds | 15,501,148 | 14,209,564 | 0 | 0 | |

JBC Staff Budget Briefing: FY 2015-16
Staff Working Document - Does Not Represent Committee Decision

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|---|----------------------|----------------------|-----------------------------|-----------------------|------------------------------|
| Operating Expenses | <u>1,404,946</u> | <u>1,403,040</u> | <u>0</u> | <u>0</u> | |
| General Fund | 31,266 | 29,778 | 0 | 0 | |
| Cash Funds | 1,373,680 | 1,373,262 | 0 | 0 | |
| Drivers License Documents | <u>4,188,636</u> | <u>3,840,321</u> | <u>0</u> | <u>0</u> | |
| Cash Funds | 4,188,636 | 3,840,321 | 0 | 0 | |
| License Plate Ordering | <u>4,998,737</u> | <u>5,035,910</u> | <u>0</u> | <u>0</u> | |
| Cash Funds | 4,998,737 | 5,035,910 | 0 | 0 | |
| Indirect Cost Assessment | <u>0</u> | <u>2,418,647</u> | <u>0</u> | <u>0</u> | |
| General Fund | 0 | 1 | 0 | 0 | |
| Cash Funds | 0 | 2,418,646 | 0 | 0 | |
| SUBTOTAL - (B) Driver and Vehicle Services | 26,661,670 | 27,621,443 | 0 | 0 | 0.0% |
| FTE | <u>359.8</u> | <u>343.6</u> | <u>0.0</u> | <u>0.0</u> | <u>0.0%</u> |
| General Fund | 599,469 | 743,740 | 0 | 0 | 0.0% |
| Cash Funds | 26,062,201 | 26,877,703 | 0 | 0 | 0.0% |

(C) Vehicle Emissions

| | | | | |
|--------------------------|----------------|----------------|----------|----------|
| Personal Services | <u>895,419</u> | <u>856,186</u> | <u>0</u> | <u>0</u> |
| FTE | 13.0 | 13.4 | 0.0 | 0.0 |
| Cash Funds | 895,419 | 856,186 | 0 | 0 |
| Operating Expenses | <u>84,435</u> | <u>74,800</u> | <u>0</u> | <u>0</u> |
| Cash Funds | 84,435 | 74,800 | 0 | 0 |
| Indirect Cost Assessment | <u>0</u> | <u>134,460</u> | <u>0</u> | <u>0</u> |
| Cash Funds | 0 | 134,460 | 0 | 0 |

JBC Staff Budget Briefing: FY 2015-16
Staff Working Document - Does Not Represent Committee Decision

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|---|----------------------|----------------------|-----------------------------|-----------------------|------------------------------|
| SUBTOTAL - (C) Vehicle Emissions | 979,854 | 1,065,446 | 0 | 0 | 0.0% |
| <i>FTE</i> | <u>13.0</u> | <u>13.4</u> | <u>0.0</u> | <u>0.0</u> | <u>0.0%</u> |
| Cash Funds | 979,854 | 1,065,446 | 0 | 0 | 0.0% |

(D) Titles

| | | | | | |
|------------------------------|------------------|------------------|------------|------------|-----------------|
| Personal Services | <u>1,512,534</u> | <u>1,522,032</u> | <u>0</u> | <u>0</u> | |
| <i>FTE</i> | 29.5 | 28.5 | 0.0 | 0.0 | |
| Cash Funds | 1,512,534 | 1,522,032 | 0 | 0 | |
| Operating Expenses | <u>235,437</u> | <u>249,585</u> | <u>0</u> | <u>0</u> | |
| Cash Funds | 235,437 | 249,585 | 0 | 0 | |
| Indirect Cost Assessment | <u>0</u> | <u>275,376</u> | <u>0</u> | <u>0</u> | |
| Cash Funds | 0 | 275,376 | 0 | 0 | |
| SUBTOTAL - (D) Titles | 1,747,971 | 2,046,993 | 0 | 0 | 0.0% |
| <i>FTE</i> | <u>29.5</u> | <u>28.5</u> | <u>0.0</u> | <u>0.0</u> | <u>(100.0%)</u> |
| Cash Funds | 1,747,971 | 2,046,993 | 0 | 0 | 0.0% |

(E) Motorist Insurance Identification Database Program

| | | | | | |
|--|----------------|----------------|----------|----------|--|
| Motorist Insurance Identification Database Program | <u>266,249</u> | <u>272,653</u> | <u>0</u> | <u>0</u> | |
| <i>FTE</i> | 0.8 | 0.9 | 0.0 | 0.0 | |
| Cash Funds | 266,249 | 272,653 | 0 | 0 | |

JBC Staff Budget Briefing: FY 2015-16
Staff Working Document - Does Not Represent Committee Decision

| | FY 2012-13 Actual | FY 2013-14 Actual | FY 2014-15 Appropriation | FY 2015-16 Request | Request vs. Appropriation |
|---|----------------------|----------------------|-----------------------------|-----------------------|------------------------------|
| SUBTOTAL - (E) Motorist Insurance Identification | | | | | |
| Database Program | 266,249 | 272,653 | 0 | 0 | 0.0% |
| <i>FTE</i> | <u>0.8</u> | <u>0.9</u> | <u>0.0</u> | <u>0.0</u> | <u>0.0%</u> |
| Cash Funds | 266,249 | 272,653 | 0 | 0 | 0.0% |
| (F) Ignition Interlock Program | | | | | |
| Personal Services | <u>178,297</u> | <u>193,802</u> | <u>0</u> | <u>0</u> | |
| <i>FTE</i> | 4.2 | 5.5 | 0.0 | 0.0 | |
| Cash Funds | 178,297 | 193,802 | 0 | 0 | |
| Operating Expenses | <u>630,432</u> | <u>675,511</u> | <u>0</u> | <u>0</u> | |
| Cash Funds | 630,432 | 675,511 | 0 | 0 | |
| Indirect Cost Assessment | <u>0</u> | <u>26,391</u> | <u>0</u> | <u>0</u> | |
| Cash Funds | 0 | 26,391 | 0 | 0 | |
| SUBTOTAL - (F) Ignition Interlock Program | | | | | |
| <i>FTE</i> | <u>4.2</u> | <u>5.5</u> | <u>0.0</u> | <u>0.0</u> | <u>0.0%</u> |
| Cash Funds | 808,729 | 895,704 | 0 | 0 | 0.0% |
| TOTAL - (5) Division of Motor Vehicles (old structure) | | | | | |
| <i>FTE</i> | 415.9 | 401.7 | <u>0.0</u> | <u>0.0</u> | (100.0%) |
| General Fund | 624,927 | 772,538 | 0 | 0 | 0.0% |
| Cash Funds | 30,641,650 | 31,875,817 | 0 | 0 | 0.0% |

JBC Staff Budget Briefing: FY 2015-16
Staff Working Document - Does Not Represent Committee Decision

| | FY 2012-13 Actual | FY 2013-14 Actual | FY 2014-15 Appropriation | FY 2015-16 Request | Request vs. Appropriation |
|--|----------------------|----------------------|-----------------------------|-----------------------|------------------------------|
|--|----------------------|----------------------|-----------------------------|-----------------------|------------------------------|

(5) DIVISION OF MOTOR VEHICLES (CURRENT STRUCTURE)

The Division includes Administration, Driver Services, and Vehicle Services. The major sources of cash funds include: the Licensing Services Cash Fund, the License Plate Cash Fund, the Colorado State Titling and Registration Account, the Drivers' License Administrative Revocation Account, the Department of Revenue Subaccount of the AIR Account in the Highway Users Tax Fund (HUTF), the First Time Drunk Driving Offender Account in the HUTF, the Identification Security Fund, the Motorist Insurance Identification Account, and various other sources.

(A) Administration

The section administers the programs in the Division of Motor Vehicles. Cash funds sources are the cash funds that provide funding for the sub-divisions and programs in the Division.

| | | | | | |
|----------------------|----------|----------|-----------|-----------|---|
| Personal Services | <u>0</u> | <u>0</u> | 1,453,280 | 1,573,666 | * |
| FTE | 0.0 | 0.0 | 16.9 | 18.9 | |
| General Fund | 0 | 0 | 29,761 | 229,494 | |
| Cash Funds | 0 | 0 | 1,423,519 | 1,292,827 | |
| Reappropriated Funds | 0 | 0 | 0 | 51,345 | |
| Operating Expenses | <u>0</u> | <u>0</u> | 80,034 | 85,244 | * |
| General Fund | 0 | 0 | 1,670 | 12,340 | |
| Cash Funds | 0 | 0 | 78,364 | 69,514 | |
| Reappropriated Funds | 0 | 0 | 0 | 3,390 | |

| | | | | | |
|--------------------------------------|------------|------------|-------------|-------------|--------------|
| SUBTOTAL - (A) Administration | 0 | 0 | 1,533,314 | 1,658,910 | 8.2% |
| FTE | <u>0.0</u> | <u>0.0</u> | <u>16.9</u> | <u>18.9</u> | <u>11.8%</u> |
| General Fund | 0 | 0 | 31,431 | 241,834 | 669.4% |
| Cash Funds | 0 | 0 | 1,501,883 | 1,362,341 | (9.3%) |
| Reappropriated Funds | 0 | 0 | 0 | 54,735 | 0.0% |

*This line item includes a decision item.

JBC Staff Budget Briefing: FY 2015-16
Staff Working Document - Does Not Represent Committee Decision

| | FY 2012-13 Actual | FY 2013-14 Actual | FY 2014-15 Appropriation | FY 2015-16 Request | Request vs. Appropriation |
|--|----------------------|----------------------|-----------------------------|-----------------------|------------------------------|
|--|----------------------|----------------------|-----------------------------|-----------------------|------------------------------|

(B) Driver Services

The Driver Services section administers driver's licensing and records management, the Ignition Interlock Program, which assists first time drunk driving offenders with obtaining ignition interlock devices to allow those offenders to drive, with certain restrictions. The primary cash funds sources are the Licensing Services Cash Fund and the First Time Drunk Driving Offender Account of the HUTF.

| | | | | | |
|----------------------------|----------|----------|-------------------|-------------------|---|
| Personal Services | <u>0</u> | <u>0</u> | <u>21,346,054</u> | <u>19,044,993</u> | * |
| FTE | 0.0 | 0.0 | 395.2 | 391.9 | |
| General Fund | 0 | 0 | 9,035,849 | 7,148,247 | |
| Cash Funds | 0 | 0 | 12,163,127 | 11,787,627 | |
| Reappropriated Funds | 0 | 0 | 147,078 | 109,119 | |
| Operating Expenses | <u>0</u> | <u>0</u> | <u>3,474,262</u> | <u>1,926,920</u> | * |
| General Fund | 0 | 0 | 1,847,216 | 418,104 | |
| Cash Funds | 0 | 0 | 1,519,864 | 1,498,646 | |
| Reappropriated Funds | 0 | 0 | 107,182 | 10,170 | |
| Drivers License Documents | <u>0</u> | <u>0</u> | <u>4,467,378</u> | <u>4,365,339</u> | |
| Cash Funds | 0 | 0 | 4,467,378 | 4,365,339 | |
| Ignition Interlock Program | <u>0</u> | <u>0</u> | <u>1,151,930</u> | <u>1,226,667</u> | * |
| FTE | 0.0 | 0.0 | 5.0 | 6.9 | |
| Cash Funds | 0 | 0 | 1,151,930 | 1,226,667 | |
| Indirect Cost Assessment | <u>0</u> | <u>0</u> | <u>1,829,996</u> | <u>2,450,653</u> | |
| Cash Funds | 0 | 0 | 1,829,996 | 2,450,653 | |

JBC Staff Budget Briefing: FY 2015-16
Staff Working Document - Does Not Represent Committee Decision

| | FY 2012-13 Actual | FY 2013-14 Actual | FY 2014-15 Appropriation | FY 2015-16 Request | Request vs. Appropriation |
|---------------------------------------|----------------------|----------------------|-----------------------------|-----------------------|------------------------------|
| SUBTOTAL - (B) Driver Services | 0 | 0 | 32,269,620 | 29,014,572 | (10.1%) |
| <i>FTE</i> | <u>0.0</u> | <u>0.0</u> | <u>400.2</u> | <u>398.8</u> | <u>(0.3%)</u> |
| General Fund | 0 | 0 | 10,883,065 | 7,566,351 | (30.5%) |
| Cash Funds | 0 | 0 | 21,132,295 | 21,328,932 | 0.9% |
| Reappropriated Funds | 0 | 0 | 254,260 | 119,289 | (53.1%) |

(C) Vehicle Services

The Vehicle Services section administers vehicle registration, vehicle emissions, license plate ordering, titles, and the Motorist Insurance Identification Program. The primary cash funds sources are License Plate Cash Fund, the Colorado State Titling and Registration Account, the Department of Revenue subaccount of the AIR Account in the Highway Users Tax Fund (HUTF), the Motorist Insurance Identification Account of the HUTF, and outstanding judgments and warrants.

| | | | | |
|--|----------|----------|------------------|------------------|
| Personal Services | <u>0</u> | <u>0</u> | <u>2,510,525</u> | <u>2,560,635</u> |
| FTE | 0.0 | 0.0 | 49.2 | 49.2 |
| General Fund | 0 | 0 | 436,648 | 446,139 |
| Cash Funds | 0 | 0 | 2,073,877 | 2,114,496 |
| Operating Expenses | <u>0</u> | <u>0</u> | <u>454,034</u> | <u>454,034</u> |
| General Fund | 0 | 0 | 27,169 | 27,169 |
| Cash Funds | 0 | 0 | 426,865 | 426,865 |
| License Plate Ordering | <u>0</u> | <u>0</u> | <u>5,470,954</u> | <u>5,429,871</u> |
| General Fund | 0 | 0 | 70,026 | 6,673 |
| Cash Funds | 0 | 0 | 5,400,928 | 5,423,198 |
| Motorist Insurance Identification Database Program | <u>0</u> | <u>0</u> | <u>331,618</u> | <u>337,006</u> |
| FTE | 0.0 | 0.0 | 1.0 | 1.0 |
| Cash Funds | 0 | 0 | 331,618 | 337,006 |

JBC Staff Budget Briefing: FY 2015-16
Staff Working Document - Does Not Represent Committee Decision

| | FY 2012-13 Actual | FY 2013-14 Actual | FY 2014-15 Appropriation | FY 2015-16 Request | Request vs. Appropriation |
|---|----------------------|----------------------|-----------------------------|-----------------------|------------------------------|
| Emissions Program | <u>0</u> | <u>0</u> | <u>1,201,334</u> | <u>1,233,846</u> | |
| FTE | 0.0 | 0.0 | 15.0 | 15.0 | |
| Cash Funds | 0 | 0 | 1,201,334 | 1,233,846 | |
| Indirect Cost Assessment | <u>0</u> | <u>0</u> | <u>633,529</u> | <u>366,547</u> | |
| Cash Funds | 0 | 0 | 633,529 | 366,547 | |
| SUBTOTAL - (C) Vehicle Services | 0 | 0 | 10,601,994 | 10,381,939 | (2.1%) |
| <i>FTE</i> | <u>0.0</u> | <u>0.0</u> | <u>65.2</u> | <u>65.2</u> | <u>0.0%</u> |
| General Fund | 0 | 0 | 533,843 | 479,981 | (10.1%) |
| Cash Funds | 0 | 0 | 10,068,151 | 9,901,958 | (1.7%) |
| TOTAL - (5) Division of Motor Vehicles (current structure) | 0 | 0 | 44,404,928 | 41,055,421 | (7.5%) |
| <i>FTE</i> | <u>0.0</u> | <u>0.0</u> | <u>482.3</u> | <u>482.9</u> | <u>0.1%</u> |
| General Fund | 0 | 0 | 11,448,339 | 8,288,166 | (27.6%) |
| Cash Funds | 0 | 0 | 32,702,329 | 32,593,231 | (0.3%) |
| Reappropriated Funds | 0 | 0 | 254,260 | 174,024 | (31.6%) |

JBC Staff Budget Briefing: FY 2015-16
Staff Working Document - Does Not Represent Committee Decision

| | FY 2012-13 Actual | FY 2013-14 Actual | FY 2014-15 Appropriation | FY 2015-16 Request | Request vs. Appropriation |
|--|----------------------|----------------------|-----------------------------|-----------------------|------------------------------|
|--|----------------------|----------------------|-----------------------------|-----------------------|------------------------------|

(6) ENFORCEMENT BUSINESS GROUP

This division regulates the limited gaming industry; regulates horse and dog racing events; enforces the state's liquor, medical marijuana, and tobacco laws; and licenses liquor retailers, wholesalers, and manufacturers and medical marijuana retailers and manufacturing and cultivation facilities. This division also regulates the distribution of motor vehicles and manages adjudication hearings related to drivers licenses, certain racing licenses, and some tax disputes.

(A) Administration

Provides administrative support to the divisions in the Group: the Limited Gaming Division; the Alcohol and Tobacco Enforcement Division; the Division of Racing Events; the Hearings Division, the Motor Vehicle Dealer Licensing Board; and the Marijuana Enforcement Division. The funding sources are the cash funds that support the functions in the divisions.

| | | | | | |
|----------------------|----------------|----------------|----------------|----------------|--|
| Personal Services | <u>615,520</u> | <u>599,795</u> | <u>688,023</u> | <u>703,273</u> | |
| FTE | 6.8 | 0.0 | 8.0 | 8.0 | |
| General Fund | 53,504 | 18,727 | 19,864 | 21,821 | |
| Cash Funds | 442,701 | 327,225 | 394,013 | 418,348 | |
| Reappropriated Funds | 119,315 | 253,843 | 274,146 | 263,104 | |
| Operating Expenses | <u>12,589</u> | <u>11,744</u> | <u>12,780</u> | <u>12,780</u> | |
| General Fund | 1,094 | 400 | 369 | 397 | |
| Cash Funds | 9,055 | 6,419 | 7,319 | 7,602 | |
| Reappropriated Funds | 2,440 | 4,925 | 5,092 | 4,781 | |

| | | | | | |
|--------------------------------------|------------|------------|------------|------------|-------------|
| SUBTOTAL - (A) Administration | 628,109 | 611,539 | 700,803 | 716,053 | 2.2% |
| FTE | <u>6.8</u> | <u>0.0</u> | <u>8.0</u> | <u>8.0</u> | <u>0.0%</u> |
| General Fund | 54,598 | 19,127 | 20,233 | 22,218 | 9.8% |
| Cash Funds | 451,756 | 333,644 | 401,332 | 425,950 | 6.1% |
| Reappropriated Funds | 121,755 | 258,768 | 279,238 | 267,885 | (4.1%) |

JBC Staff Budget Briefing: FY 2015-16
Staff Working Document - Does Not Represent Committee Decision

| | FY 2012-13 Actual | FY 2013-14 Actual | FY 2014-15 Appropriation | FY 2015-16 Request | Request vs. Appropriation |
|--|----------------------|----------------------|-----------------------------|-----------------------|------------------------------|
|--|----------------------|----------------------|-----------------------------|-----------------------|------------------------------|

(B) Limited Gaming Division

Licenses and regulates limited gaming establishments, conducts background investigations on all gaming employees, monitors compliance with State limited gaming laws, and conducts audits to ensure tax remittances from gaming establishments are correct. Line allocations are determined by the Limited Gaming Commission and are not subject to appropriation by the General Assembly.

| | | | | | |
|---|-------------------|-------------------|-------------------|-------------------|-------------|
| Personal Services | <u>6,116,053</u> | <u>6,217,594</u> | <u>6,842,620</u> | <u>6,969,534</u> | |
| FTE | 81.2 | 82.6 | 84.4 | 84.4 | |
| Cash Funds | 6,116,053 | 6,217,594 | 6,842,620 | 6,969,534 | |
| Operating Expenses | <u>646,573</u> | <u>0</u> | <u>1,331,739</u> | <u>1,331,739</u> | |
| Cash Funds | 646,573 | 0 | 1,331,739 | 1,331,739 | |
| Payments to Other State Agencies | <u>3,569,853</u> | <u>3,873,005</u> | <u>3,853,589</u> | <u>3,853,589</u> | |
| Cash Funds | 3,569,853 | 3,873,005 | 3,853,589 | 3,853,589 | |
| Distribution to Gaming Cities and Counties | <u>92,677,111</u> | <u>92,211,148</u> | <u>23,788,902</u> | <u>23,788,902</u> | |
| Cash Funds | 92,677,111 | 92,211,148 | 23,788,902 | 23,788,902 | |
| Indirect Cost Assessment | <u>814,123</u> | <u>640,282</u> | <u>417,408</u> | <u>332,466</u> | |
| Cash Funds | 814,123 | 640,282 | 417,408 | 332,466 | |
| SUBTOTAL - (B) Limited Gaming Division | 103,823,713 | 102,942,029 | 36,234,258 | 36,276,230 | 0.1% |
| FTE | <u>81.2</u> | <u>82.6</u> | <u>84.4</u> | <u>84.4</u> | <u>0.0%</u> |
| Cash Funds | 103,823,713 | 102,942,029 | 36,234,258 | 36,276,230 | 0.1% |

JBC Staff Budget Briefing: FY 2015-16
Staff Working Document - Does Not Represent Committee Decision

| | FY 2012-13 Actual | FY 2013-14 Actual | FY 2014-15 Appropriation | FY 2015-16 Request | Request vs. Appropriation |
|--|----------------------|----------------------|-----------------------------|-----------------------|------------------------------|
|--|----------------------|----------------------|-----------------------------|-----------------------|------------------------------|

(C) Liquor and Tobacco Enforcement Division

Enforces the State's alcohol laws and regulations; issues licenses and permits to manufacturers, importers, distributors, and retailers of alcoholic beverages; and enforces State laws prohibiting the sale of tobacco products to minors.

| | | | | | |
|--------------------------|------------------|------------------|------------------|------------------|--|
| Personal Services | <u>2,096,350</u> | <u>2,117,008</u> | <u>2,271,999</u> | <u>2,347,621</u> | |
| FTE | 27.0 | 0.0 | 26.5 | 26.5 | |
| General Fund | 126,128 | 135,022 | 141,312 | 159,107 | |
| Cash Funds | 1,970,222 | 1,981,986 | 2,130,687 | 2,188,514 | |
| Operating Expenses | <u>84,917</u> | <u>95,030</u> | <u>97,919</u> | <u>97,919</u> | |
| General Fund | 7,070 | 7,029 | 7,201 | 7,201 | |
| Cash Funds | 77,847 | 88,001 | 90,718 | 90,718 | |
| Indirect Cost Assessment | <u>0</u> | <u>130,872</u> | <u>145,821</u> | <u>129,349</u> | |
| Cash Funds | 0 | 130,872 | 145,821 | 129,349 | |

| | | | | | |
|--|-------------|------------|-------------|-------------|-------------|
| SUBTOTAL - (C) Liquor and Tobacco Enforcement | | | | | |
| Division | 2,181,267 | 2,342,910 | 2,515,739 | 2,574,889 | 2.4% |
| FTE | <u>27.0</u> | <u>0.0</u> | <u>26.5</u> | <u>26.5</u> | <u>0.0%</u> |
| General Fund | 133,198 | 142,051 | 148,513 | 166,308 | 12.0% |
| Cash Funds | 2,048,069 | 2,200,859 | 2,367,226 | 2,408,581 | 1.7% |

JBC Staff Budget Briefing: FY 2015-16
Staff Working Document - Does Not Represent Committee Decision

| | FY 2012-13 Actual | FY 2013-14 Actual | FY 2014-15 Appropriation | FY 2015-16 Request | Request vs. Appropriation |
|--|----------------------|----------------------|-----------------------------|-----------------------|------------------------------|
|--|----------------------|----------------------|-----------------------------|-----------------------|------------------------------|

(D) Division of Racing Events

Licenses racetracks and individuals involved in horse and dog racing (currently inactive), allocates race days among racetracks, tests animals for drugs, and oversees wagering.

| | | | | | |
|---|------------------|------------------|------------------|------------------|--------|
| Personal Services | <u>765,030</u> | <u>754,594</u> | <u>889,171</u> | <u>912,810</u> | |
| FTE | 7.3 | 7.7 | 7.7 | 7.7 | |
| Cash Funds | 765,030 | 754,594 | 889,171 | 912,810 | |
| Operating Expenses | <u>163,870</u> | <u>190,821</u> | <u>221,627</u> | <u>221,627</u> | |
| Cash Funds | 163,870 | 190,821 | 221,627 | 221,627 | |
| Purses and Breeders Awards | <u>1,328,344</u> | <u>1,287,072</u> | <u>1,400,000</u> | <u>1,400,000</u> | |
| Cash Funds | 1,328,344 | 1,287,072 | 1,400,000 | 1,400,000 | |
| Indirect Cost Assessment | <u>0</u> | <u>88,255</u> | <u>72,911</u> | <u>48,946</u> | |
| Cash Funds | 0 | 88,255 | 72,911 | 48,946 | |
| SUBTOTAL - (D) Division of Racing Events | 2,257,244 | 2,320,742 | 2,583,709 | 2,583,383 | (0.0%) |
| FTE | 7.3 | 7.7 | 7.7 | 7.7 | 0.0% |
| Cash Funds | 2,257,244 | 2,320,742 | 2,583,709 | 2,583,383 | (0.0%) |

JBC Staff Budget Briefing: FY 2015-16
Staff Working Document - Does Not Represent Committee Decision

| | FY 2012-13 Actual | FY 2013-14 Actual | FY 2014-15 Appropriation | FY 2015-16 Request | Request vs. Appropriation |
|--|----------------------|----------------------|-----------------------------|-----------------------|------------------------------|
|--|----------------------|----------------------|-----------------------------|-----------------------|------------------------------|

(E) Hearings Division

Conducts hearings on driver's license suspensions and revocations, probationary licenses, habitual traffic offenders, misuse of temporary registration permits, and horse and dog racing licenses. Provides computer support and data analysis for traffic safety programs. Cash funds source is the Driver's License Administrative Revocation Account.

| | | | | | |
|--------------------------|------------------|------------------|------------------|------------------|--|
| Personal Services | <u>1,780,589</u> | <u>1,759,199</u> | <u>2,265,482</u> | <u>2,329,806</u> | |
| FTE | 27.4 | 0.0 | 29.6 | 29.6 | |
| General Fund | 146,031 | 0 | 178,955 | 178,955 | |
| Cash Funds | 1,634,558 | 1,759,199 | 2,086,527 | 2,150,851 | |
| Operating Expenses | <u>97,690</u> | <u>81,195</u> | <u>101,408</u> | <u>101,408</u> | |
| General Fund | 2,379 | 0 | 2,470 | 2,470 | |
| Cash Funds | 95,311 | 81,195 | 98,938 | 98,938 | |
| Indirect Cost Assessment | <u>0</u> | <u>0</u> | <u>468,889</u> | <u>141,989</u> | |
| Cash Funds | 0 | 0 | 468,889 | 141,989 | |

| | | | | | |
|---|-------------|------------|-------------|-------------|-------------|
| SUBTOTAL - (E) Hearings Division | 1,878,279 | 1,840,394 | 2,835,779 | 2,573,203 | (9.3%) |
| FTE | <u>27.4</u> | <u>0.0</u> | <u>29.6</u> | <u>29.6</u> | <u>0.0%</u> |
| General Fund | 148,410 | 0 | 181,425 | 181,425 | 0.0% |
| Cash Funds | 1,729,869 | 1,840,394 | 2,654,354 | 2,391,778 | (9.9%) |

(F) Motor Vehicle Dealer Licensing Board

Conducts hearings on driver's license suspensions and revocations, probationary licenses, habitual traffic offenders, misuse of temporary registration permits, and horse and dog racing licenses. Provides computer support and data analysis for traffic safety programs.

| | | | | | |
|-------------------|------------------|------------------|------------------|------------------|--|
| Personal Services | <u>1,766,742</u> | <u>1,696,659</u> | <u>1,914,521</u> | <u>1,974,099</u> | |
| FTE | 27.1 | 25.6 | 27.2 | 27.2 | |
| Cash Funds | 1,766,742 | 1,696,659 | 1,914,521 | 1,974,099 | |

JBC Staff Budget Briefing: FY 2015-16
Staff Working Document - Does Not Represent Committee Decision

| | FY 2012-13 Actual | FY 2013-14 Actual | FY 2014-15 Appropriation | FY 2015-16 Request | Request vs. Appropriation |
|--|----------------------|----------------------|-----------------------------|-----------------------|------------------------------|
| Operating Expenses | <u>92,184</u> | <u>118,400</u> | <u>309,684</u> | <u>134,684</u> | |
| Cash Funds | 92,184 | 118,400 | 309,684 | 134,684 | |
| Indirect Cost Assessment | <u>0</u> | <u>147,944</u> | <u>157,976</u> | <u>186,740</u> | |
| Cash Funds | 0 | 147,944 | 157,976 | 186,740 | |
| SUBTOTAL - (F) Motor Vehicle Dealer Licensing | | | | | |
| Board | 1,858,926 | 1,963,003 | 2,382,181 | 2,295,523 | (3.6%) |
| <i>FTE</i> | <u>27.1</u> | <u>25.6</u> | <u>27.2</u> | <u>27.2</u> | <u>0.0%</u> |
| Cash Funds | 1,858,926 | 1,963,003 | 2,382,181 | 2,295,523 | (3.6%) |

(G) Marijuana Enforcement

Licenses and regulates marijuana dispensaries, growing facilities, and marijuana infused product manufacturing facilities. Investigates complaints and enforces law and regulations regarding such facilities. The funding source is the Marijuana License Cash Fund.

| | | | | | |
|---|------------------|------------------|------------------|------------------|-------------|
| Marijuana Enforcement | <u>1,387,011</u> | <u>3,593,823</u> | <u>6,445,951</u> | <u>6,476,077</u> | |
| FTE | 14.7 | 27.2 | 55.2 | 55.2 | |
| Cash Funds | 1,387,011 | 3,593,823 | 6,445,951 | 6,476,077 | |
| Indirect Cost Assessment | <u>0</u> | <u>318,170</u> | <u>459,446</u> | <u>524,845</u> | |
| Cash Funds | 0 | 318,170 | 459,446 | 524,845 | |
| SUBTOTAL - (G) Marijuana Enforcement | 1,387,011 | 3,911,993 | 6,905,397 | 7,000,922 | 1.4% |
| <i>FTE</i> | <u>14.7</u> | <u>27.2</u> | <u>55.2</u> | <u>55.2</u> | <u>0.0%</u> |
| Cash Funds | 1,387,011 | 3,911,993 | 6,905,397 | 7,000,922 | 1.4% |

JBC Staff Budget Briefing: FY 2015-16
Staff Working Document - Does Not Represent Committee Decision

| | FY 2012-13 Actual | FY 2013-14 Actual | FY 2014-15 Appropriation | FY 2015-16 Request | Request vs. Appropriation |
|---|------------------------------|------------------------------|-------------------------------------|-------------------------------|--------------------------------------|
| TOTAL - (6) Enforcement Business Group | 114,014,549 | 115,932,610 | 54,157,866 | 54,020,203 | (0.3%) |
| <i>FTE</i> | <u>191.5</u> | <u>143.1</u> | <u>238.6</u> | <u>238.6</u> | <u>(0.0%)</u> |
| General Fund | 336,206 | 161,178 | 350,171 | 369,951 | 5.6% |
| Cash Funds | 113,556,588 | 115,512,664 | 53,528,457 | 53,382,367 | (0.3%) |
| Reappropriated Funds | 121,755 | 258,768 | 279,238 | 267,885 | (4.1%) |

JBC Staff Budget Briefing: FY 2015-16
Staff Working Document - Does Not Represent Committee Decision

| | FY 2012-13 Actual | FY 2013-14 Actual | FY 2014-15 Appropriation | FY 2015-16 Request | Request vs. Appropriation |
|--|------------------------------|------------------------------|-------------------------------------|-------------------------------|--------------------------------------|
|--|------------------------------|------------------------------|-------------------------------------|-------------------------------|--------------------------------------|

(8) STATE LOTTERY DIVISION

The State Lottery Division is an enterprise under the provisions of Section 20 of Article X of the Colorado Constitution (the Taxpayer's Bill of Rights). Expenditures are paid from the State Lottery Fund and appropriated as cash funds. The Lottery's direct costs for worker's compensation, variable vehicle expenses, legal services, the purchase of services from the computer center, multiuse network payments, payments to risk management, vehicle lease payments, leased space, Capitol Complex leased space, and communications services payments are shown in consolidated budget lines within the Executive Director's Office.

| | | | | | |
|----------------------------------|-------------------|-------------------|-------------------|-------------------|--|
| Personal Services | <u>8,003,453</u> | <u>7,833,796</u> | <u>9,085,964</u> | <u>9,335,677</u> | |
| FTE | 116.3 | 119.5 | 117.1 | 117.1 | |
| Cash Funds | 8,003,453 | 7,833,796 | 9,085,964 | 9,335,677 | |
| Operating Expenses | <u>1,035,198</u> | <u>833,529</u> | <u>1,203,156</u> | <u>1,203,156</u> | |
| Cash Funds | 1,035,198 | 833,529 | 1,203,156 | 1,203,156 | |
| Payments to Other State Agencies | <u>133,133</u> | <u>134,175</u> | <u>239,410</u> | <u>239,410</u> | |
| Cash Funds | 133,133 | 134,175 | 239,410 | 239,410 | |
| Travel | <u>70,001</u> | <u>51,803</u> | <u>113,498</u> | <u>113,498</u> | |
| Cash Funds | 70,001 | 51,803 | 113,498 | 113,498 | |
| Marketing and Communications | <u>13,732,533</u> | <u>13,439,653</u> | <u>14,700,000</u> | <u>14,700,000</u> | |
| Cash Funds | 13,732,533 | 13,439,653 | 14,700,000 | 14,700,000 | |
| Multi-State Lottery Fees | <u>148,940</u> | <u>85,228</u> | <u>177,433</u> | <u>177,433</u> | |
| Cash Funds | 148,940 | 85,228 | 177,433 | 177,433 | |
| Vendor Fees | <u>9,501,461</u> | <u>9,595,025</u> | <u>12,571,504</u> | <u>12,571,504</u> | |
| Cash Funds | 9,501,461 | 9,595,025 | 12,571,504 | 12,571,504 | |

JBC Staff Budget Briefing: FY 2015-16
Staff Working Document - Does Not Represent Committee Decision

| | FY 2012-13 Actual | FY 2013-14 Actual | FY 2014-15 Appropriation | FY 2015-16 Request | Request vs. Appropriation |
|---|------------------------------|------------------------------|-------------------------------------|-------------------------------|--------------------------------------|
| Retailer Compensation | <u>42,213,871</u> | <u>40,212,982</u> | <u>52,241,350</u> | <u>52,241,350</u> | |
| Cash Funds | 42,213,871 | 40,212,982 | 52,241,350 | 52,241,350 | |
| Ticket Costs | <u>3,566,811</u> | <u>3,609,710</u> | <u>6,578,000</u> | <u>6,578,000</u> | |
| Cash Funds | 3,566,811 | 3,609,710 | 6,578,000 | 6,578,000 | |
| Research | <u>133,899</u> | <u>189,629</u> | <u>250,000</u> | <u>250,000</u> | |
| Cash Funds | 133,899 | 189,629 | 250,000 | 250,000 | |
| Indirect Cost Assessment | <u>408,720</u> | <u>486,936</u> | <u>586,778</u> | <u>460,259</u> | |
| Cash Funds | 408,720 | 486,936 | 586,778 | 460,259 | |
| TOTAL - (8) State Lottery Division | 78,948,020 | 76,472,466 | 97,747,093 | 97,870,287 | 0.1% |
| <i>FTE</i> | <u>116.3</u> | <u>119.5</u> | <u>117.1</u> | <u>117.1</u> | <u>0.0%</u> |
| Cash Funds | 78,948,020 | 76,472,466 | 97,747,093 | 97,870,287 | 0.1% |
| TOTAL - Department of Revenue | 323,938,816 | 337,315,346 | 327,080,067 | 316,893,473 | (3.1%) |
| <i>FTE</i> | <u>1,181.1</u> | <u>909.7</u> | <u>1,322.0</u> | <u>1,328.6</u> | <u>0.5%</u> |
| General Fund | 70,443,959 | 75,884,316 | 101,668,190 | 94,548,059 | (7.0%) |
| Cash Funds | 251,148,492 | 255,719,203 | 219,053,032 | 216,206,856 | (1.3%) |
| Reappropriated Funds | 1,552,530 | 4,917,992 | 5,534,457 | 5,314,170 | (4.0%) |
| Federal Funds | 793,835 | 793,835 | 824,388 | 824,388 | 0.0% |

Appendix B: Recent Legislation Affecting Department Budget

2013 Session Bills

S.B. 13-001 (Colorado Working Families Economic Opportunities Act): Establishes two refundable tax credits in Colorado Statutes: The first credit is the Earned Income Tax Credit (EITC) which is currently a Taxpayer Bill of Rights (TABOR) refund mechanism. This credit will become permanent after the next time a TABOR EITC refund is triggered (which is not expected through at least FY 2015-16). The EITC is set a 10.0 percent of the federal EITC and is refundable, meaning that the taxpayer is eligible for a refund even if credit exceeds the taxpayer's tax liability prior to the credit.

The second credit established is the Child Tax Credit (CTC), which is set at a percentage of the federal Child Tax Credit, based upon adjusted gross income. The establishment of the tax credit is conditioned on enactment of the federal Marketplace Fairness Act (MFA) of 2013, or any other act with substantially similar requirements, and H.B. 13-1295 which implements the minimum simplification requirements of the MFA. The MFA will require the seller to collect sales taxes for out-of-state purchases under certain circumstances. The CTC is also a refundable tax credit.

Appropriates \$60,000 General Fund to the Department of Revenue for FY 2013-14 to implement the CTC if the federal MFA is enacted.

S.B. 13-004 (Electronic Renewal Senior Identification Card): Allows the holder of a State issued identification card who is sixty-five years of age to renew by electronic means or mail for every renewal period, provided that the holder attests, under penalty of perjury, that he/she is lawfully present in the United States and a resident of Colorado. Current law allows renewals by mail for every other renewal. Appropriates \$4,588 cash funds to the Department of Revenue for FY 2013-14 for the purchase of Computer Center services from the Governor's OIT.

S.B. 13-060 (Civil Air Patrol Motor Vehicle License Plate): Creates the Civil Air Patrol special license plate. Any person who pays the requisite fees is eligible to purchase the special plates. The fees are the regular registration and license plate fees plus an additional one-time \$50 fee which is split evenly between the Highway Users Tax Fund (HUTF) and the Licensing Services Cash Fund (LSCF). Appropriates \$3,605 from several cash funds to the Department of Revenue for FY 2013-14 for the purchase of computer programming services from the Governor's OIT and for the purchase of license plates from Correctional Industries.

S.B. 13-114 (Investigation and Application Fees Racing Cash Fund): Requires that investigation and application fees related to horse racing and dog racing be credited to the Racing Cash Fund. Currently the fees are not credited to any fund. The FY 2013-14 appropriation from the Fund was made in the Long Bill (S.B. 13-230).

JBC Staff Budget Briefing: FY 2015-16
Staff Working Document – Does Not Represent Committee Decision

S.B. 13-115 (Waste Tire Fee Administration Cash Fund): Creates the Waste Tire Administration Cash Fund for fees collected from retailers for the sale of each new tire, in the amount of the Department of Revenue's direct and indirect administrative costs in collecting the fees. The FY 2013-14 appropriation from the Fund was made in the Long Bill (S.B. 13-230).

S.B. 13-120 (Navy SEAL Motor Vehicle License Plate): Creates the Navy SEAL special license plate. The plate is available to an active or honorably discharged retired or reserve member of the Navy SEALs. A person who purchases the special license plate must pay regular registration and license plate fees, plus an additional one-time \$50 fee which is split evenly between the HUTF and the LSCF. Appropriates \$3,315 from several cash funds to the Department of Revenue for FY 2013-14 for the purchase of computer programming services from the Governor's OIT and for the purchase of license plates from Correctional Industries.

S.B. 13-170 (Motor Vehicle License Plate Auction Group): Grants the License Plate Auction Group (LPAG) authority to issue a non-refundable income tax credit of 20.0 percent of the amount that exceed the appraised value of uniquely valuable license plate number. The credit may be carried forward for up to five years and the General Fund must be reimbursed for the value of the credit from the Registration Number Fund.

Authorizes an auctioneer or other seller of license plate number to retain a commission of 20.0 percent; increases the membership of the Board of the LPAG; allows the LPAG to sell license plates made of alternative materials, if approved by the Department of Revenue; allows the sale of license plates containing any symbol on the standard American keyboard or any symbol approved by the LPAG Board; and authorizes the Board to make business decision to carry out license plate auctions. Appropriates \$16,000 General Fund to the DOR for FY 2013-14 for contract programming services required to implement the tax credit.

S. B. 13-221 (Conservation Easement Tax Credit Certification): Provides a conservation easement tax credit pre-approval process for tax years beginning January 1, 2014. Appropriates \$48,000 General Fund to the Department for FY 2013-14 for contract programming services. For additional information on S.B. 13-221, see the "Recent Legislation" section for the Department of Regulatory Agencies.

S.B. 13-224 (Protect Our Rivers License Plate): Creates the Protect Our Rivers special license plate. The plate is available to all applicants who demonstrate that they have donated \$25 to Colorado Trout Unlimited, a non-profit organization. The donation is not to be used for litigation or lobbying. A person who purchases the special license plate must pay regular registration and license plate fees, plus an additional one-time \$50 fee which is split evenly between the HUTF and the LSCF. The bill appropriates \$8,892 from several cash funds to the Department for FY 2013-14 for the purchase of computer programming services from the Governor's OIT and for the purchase of license plates from Correctional Industries.

S.B. 13-230 (Long Bill): General appropriations act for FY 2013-14.

S.B. 13-251 (Driver's License and Identification Documentation): Allows the State to issue a driver's license, minor driver's license, instruction permit, or State identification card to a non-

JBC Staff Budget Briefing: FY 2015-16
Staff Working Document – Does Not Represent Committee Decision

resident who cannot furnish proof of lawful presence in the United States, upon presenting the documents required for issuance. The licenses, permits, and ID cards must carry the phrase "Not Valid For Federal Identification, Voting, or Public Benefit Purposes" printed on the face of the card. Documents expire three years after issuance. Specifically states that peace officers are not authorized to arrest a person for possession of the document. Appropriates \$436,292 General Fund to the Department for FY 2013-14 for the purchase of legal services from the Department of Law and computer center services from the Governor's OIT and for contract services and document design.

S.B. 13-280 (Title Off-highway Vehicles): Requires off-highway vehicles to be titled in the same manner as motor vehicles except under statutory provisions that apply to salvage vehicles and assumes the vehicle will be registered with the Department. Off-highway vehicles sold before July 1, 2014 are exempt from the titling requirement until they are sold again. Appropriates \$25,900 cash funds to the DOR for FY 2013-14 for the purchase of computer center services from the Governor's OIT.

H.B. 13-1011 (Repeal Fee Veteran's Identifier Driver's License): Eliminates the \$15 fee charged to a person who adds the military identifier to a driver's license or State identification card. Appropriates \$5,000 cash funds to the Department for FY 2013-14 for changes to the driver's license computer system.

H.B. 13-1022 (Proof of Motor Vehicle Insurance): Allows a court to dismiss a charge of non-compliance with compulsory auto insurance if it verifies the driver had a valid policy in effect at the time of the alleged violation by using the uninsured motorist insurance identification database. Establishes a new class B traffic infraction, with a fine of up to \$500 and surcharge of \$4, for offering fraudulent evidence of valid vehicle insurance to officials. Appropriates \$5,000 cash funds to the Department for FY 2013-14 for programming changes to the Motorist Insurance Identification database.

H.B. 13-1024 (Income Tax Exemption for Military Family Relief Fund Grants): Exempts from Colorado income (for income tax purposes) any moneys received from the Colorado Military Family Relief Fund.

H.B. 13-1036 (Authority of Local Improvement District): Allows local improvement districts (LID) to include noncontiguous territory in the unincorporated areas of a single county, provided that those territories are included in the district based on a property owner petition. Allows the LID to use sales tax revenue to conduct public events. Establishes a procedure for property owners to petition county government for inclusion in, or exclusion from, an LID. The Department will need to adjust its computer systems each time the boundary of an LID is modified. The necessary appropriations will be addressed each time a boundary is changed through the annual budget process, with the LID reimbursing the State General Fund for the expense.

H.B. 13-1042 (State Income Tax Deduction for Marijuana Business Expense): Creates a tax deduction for a Colorado taxpayer who is prohibited from claiming a federal income tax deduction by Section 280E of the Internal Revenue Code because marijuana is a controlled

JBC Staff Budget Briefing: FY 2015-16
Staff Working Document – Does Not Represent Committee Decision

substance under federal law. Appropriates \$280,000 General Fund to the Department for FY 2013-14 for programming changes to the Department's tax systems.

H.B. 13-1071 (Register Collector's Motor Vehicle): Specifies that a vehicle whose model year is more than 32 years old is eligible to be registered as a "collector's" vehicle. A vehicle so registered must pass an emissions test within 12 months after registration, if the vehicle is within the enhanced emissions program area. Appropriates \$193,489 from several cash funds to the Department for FY 2013-14 for the purchase of Computer Center Services from the Governor's OIT and license plates from Correctional Industries in the Department of Corrections.

H.B. 13-1080 (Aircraft Manufacturer New Employee Income Tax Credit): Extends the existing Aircraft Manufacturer New Employee Tax Credit, which currently applies to aircraft manufacturers, to companies involved in the maintenance and repair, completion, or modification of aircraft.

H.B. 13-1110 (Special Fuel Tax and Electric Vehicle Fee): Alters fees for vehicles propelled by compressed natural gas (CNG), liquefied petroleum gas (LPG), and liquefied natural gas (LNG) from an annual license fee based on the weight of the vehicle to a reduced special fuels tax levied on a gallon of gasoline equivalent when the fuel is purchased; assesses a \$10 fee on each truckload (defined as 8,000 gallons of gasoline equivalent) of CNG, LPG, or LNG; and requires a plug-in electric vehicle to pay an annual license fee of \$50. The \$10 fee for each truckload of CNG, LPG, or LNG will be credited to the LPG and Natural Gas Inspection Fund and made available to the Division of Oil and Public Safety in the Department of Labor and Employment for the enforcement of the standards set. Of the \$50 annual fee for a plug-in electric vehicle, \$30 will be credited to the HUTF and \$20 will be credited to the Electric Vehicle Grant Fund. Appropriates \$254,096 from several cash funds to the Department for FY 2013-14, and reappropriates \$68,212 of those moneys to the Governor's OIT for the provision of computer center services to the Department of Revenue.

H.B. 13-1119 (Veteran's Identification Card and Driver's License): Allows a U.S. military veteran to obtain a driver's license or identification card that identifies the holder as a veteran. Sets forth qualifications for the identifier. Appropriates \$72,800 from the Licensing Services Cash Fund to the Department for FY 2013-14 for the purchase of services from the computer center and \$65,000 for contractor services. Reappropriates \$7,800 of those moneys to the Governor's OIT for the provision of computer center services to the Department.

H.B. 13-1135 (Voter Registration at Age 16): Allows a person who has turned 16 years of age, who will not be 18 years of age by the date of the next election, to preregister to vote. The registrant will be registered automatically upon turning 18 years of age. Appropriates \$86,672 cash funds to the Department for FY 2013-14 for necessary computer programming modifications.

H.B. 13-1142 (Urban and Rural Enterprise Zone Act Reforms): Reforms the Urban and Rural Enterprise Zone Act. Appropriates \$1,600 General Fund to the Department for FY 2013-14 for modification to the GenTax computer system.

H.B. 13-1144 (Eliminate Cigarette Sales and Use Tax Exemption): Permanently eliminates the state sales and use tax exemption for the sale of cigarettes purchased in the State, which increases General Fund revenue over existing law by \$28.0 million in FY 2013-14 and by \$26.5 million in FY 2014-15.

H.B. 13-1153 (Electronic Filing Ownership Tax Rental Mobile Machinery): Allows multi-county owners of special mobile machinery to file an electronic report with the Department, which will provide that information to the counties. Appropriates \$98,411 General Fund and 0.4 FTE to the D Department for contract programming services and the administration of the Program.

H.B. 13-1240 (Penalties for Persistent Drunk Drivers): Modifies the definition and penalties for persistent drunk drivers. Specifically: lowers the blood alcohol content (BAC) threshold for labeling a person a persistent drunk driver (PDD); adds a person who has refused a BAC test to the list of persons who may be defined as a PDD; requires a PDD to obtain and use an ignition interlock device (IID) for one year after reinstatement of their license; allows a person whose license revoked for one year to apply for reinstatement after one year provided they use an IID, and to apply for reinstatement after two months for refusing a BAC test; requires the DOR to provide assistance to indigent persons in obtaining an IID; and allows most revocation penalties to run concurrently rather than consecutively. Appropriates \$126,834 cash funds from the First-time Drunk Driving Offender Account to the Department for FY 2013-14 for personal services, temporary staff, operating expenses, and the purchase of services from the computer center, of which \$26,714 is reappropriated to the Governor's OIT for the provision of computer center services to the Department.

H.B. 13-1247 (Innovative Motor Vehicle Income Tax Credit): Extends through tax year 2021 the availability for taxpayers to claim the Innovative Motor Fuel Tax Credit; clarifies the definition of plug-in hybrid-electric vehicles; and alters the way the credit is calculated for the purchase or lease of plug-in hybrid-electric, compressed natural gas, and liquefied petroleum gas vehicles and for the conversion of vehicles to electric and natural gas power sources.

H.B. 13-1288 (Establish Statewide Uniform Sales and Use Tax Base): Requires the Department, in conjunction with counties and municipalities, to prepare a report that identifies the sales tax exemptions for each jurisdiction in the state, estimates the revenue associated with each exemption, determines how a uniform sales tax can be revenue neutral for the state and local taxing districts, and makes recommendations to the General Assembly to establish a uniform sales tax base. Appropriates \$80,089 General Fund to the Department for FY 2013-14 for the costs associated with collecting data, computer programming, and publishing the report.

H.B. 13-1295 (Simplify Sales Tax for Marketplace Fairness Act): Implements the requirements of the federal Marketplace Fairness Act (MFA), requires the collection of Colorado sales taxes from out-of-state vendors when those vendors sell to Colorado residents. Appropriates \$2,502,786 General Fund to the Department for FY 2013-14 to implement and administer the tax. This bill, including the appropriation, will only take effect if the MFA (or substantially similar legislation) is enacted by the federal government. Thus this appropriation is not reflected in the tables within this report.

H.B. 13-1317 (Implement Amendment 64 Majority Recommendation): Establishes the regulatory framework to implement Amendment 64, which legalizes the possession of small amounts of marijuana.

- Converts the existing Medical Marijuana Enforcement Division (MMED) to the Marijuana Enforcement Division (MED), with the MED having the authority to regulate medical marijuana and retail marijuana, and authorizes the MED to receive moneys from the General Fund. All spending authority that previously existed for the MMED is transferred to the MED.
- Establishes unlawful acts including consuming marijuana in a licensed retail marijuana business, buying or selling marijuana outside of the regulated system, selling to a person under 21 years of age, and failing to pay the lawful excise tax. These acts are classified as Class 2 misdemeanors.
- Specifies the amount of the application fees for existing medical marijuana business and new businesses.
- Requires the MED to provide a report to the Finance Committees that includes the amount of revenue generated by retail marijuana, the expenses of the MED, and the regulatory work performed by the MED.
- Provides that only existing medical marijuana licensees businesses in good standing can apply for a license for a retail marijuana license business until September 30, 2014. Starting July 1, 2014, other persons may give notice of intent to apply for a retail license and receive preference from the MED.
- Through September 30, 2014, continues the current requirement for vertical integration.
- Requires the MED to develop and maintain a seed-to-sale tracking system.
- Credits the Marijuana Cash Fund with all application and licensing fees related to marijuana businesses, all regular sales taxes and any special sales taxes from medical and retail marijuana, as well as any General Fund required to fund the MED's regulatory and enforcement operations. Once the MED achieves a sufficient balance of cash funds to support the operations of the MED, excess moneys are transferred to the General Fund until the General Fund has been repaid any moneys provided to the MED for its operations.

Appropriates \$1,227,026 cash funds to the Department for personal services and operating expense and the purchase of legal services and computer center services related to implementation of the act.

H.B. 13-1318 (Retail Marijuana Taxes): Creates a special sales tax of up to 15.0 percent (in addition to the current 2.9 percent state sales tax and any local sales tax) to be levied on retail marijuana sales. The tax rate is initially set at 10.0 percent, which the General Assembly may raise or lower without having to go back to the voters for approval. The retailers are not permitted to keep any portion of the tax for their costs in collecting the tax for the State. Local jurisdictions receive 15.0 percent of the proceeds from the tax in the proportion of the total marijuana sales that occur in their areas. Requires an annual transfer from the General Fund to the Marijuana Cash Fund in the amount equal to the remaining sales tax revenues after apportionment to the local jurisdictions.

JBC Staff Budget Briefing: FY 2015-16
Staff Working Document – Does Not Represent Committee Decision

Creates an excise tax of up to 15.0 percent of the average market rate of the unprocessed retail marijuana upon its first sale or transfer from a cultivation facility to a retail store, manufacturing facility, or other cultivation facility. As required by Amendment 64, the first \$40.0 million raised goes to the Public School Capital Construction Fund, with any remaining moneys deposited into the Marijuana Cash Fund.

The additional sales and excise taxes will go into effect if the voters approve, at the November 2013 statewide election, the statewide ballot question regarding imposition of the taxes. Appropriates, if the ballot measure is approved, \$4,246,090 from the Marijuana Cash Fund to the Department for FY 2013-14 for the administration of the taxes imposed.

2014 Session Bills

S.B. 14-014 (Property Tax, Rent, and Heat Rebate Program): Makes changes to the Property Tax, Rent, and Heat Rebate (PTC) Program by:

- increasing the maximum property tax and rent rebate for income-eligible claimants to \$700;
- establishing a "flat rate" rebate for both the property tax and rent rebate and the heat rebate in an expanded range of income eligibility; and
- implementing certain recommendations of the August 2013 Legislative Audit of the program.

For FY 2014-15 appropriates \$177,129 General Fund to the Department of Revenue in FY 2014-15, and an allocation of 0.5 FTE. Of this amount, \$31,400 is reappropriated to the Department of Personnel. Appropriates \$2,356,965 General Fund for PTC rebates to the Department. Pursuant to Section 39-31-102 (1), C.R.S., appropriations for the Old Age Heat and Fuel and Property Tax Assistance Grant program are included in the Long Bill for informational purposes and are not deemed to be appropriations subject to the limitations of Section 24-75-201.1, C.R.S. The bill also appropriates \$4,092 for CBMS changes in FY 2014-15, as follows:

- \$1,397 to the Department of Health Care Policy and Financing (HCPF) (\$684 from the General Fund, \$9 from the Children's Basic Health Plan Trust, \$4 from the Old Age Pension Cash Fund, and \$700 from federal funds), of which the whole amount is reappropriated to the Department of Human Services (DHS); and
- \$4,092 to DHS (\$976 from the General Fund, \$131 from the Old Age Pension Cash Fund, \$1,588 from federal funds, and \$1,397 reappropriated funds from HCPF), of which the entire amount is reappropriated to the Governor's Office of Information Technology.

S.B. 14-030 (Distinguished Flying Cross License Plate Fee): Eliminates all fees for one set of Distinguished Flying Cross license plates, if the cross was awarded for valor. For FY 2014-15 appropriates \$824 cash funds to the Department for programming costs and reappropriates the same amount to the Governor's Office of Information Technology to perform the programming for the Department of the Revenue.

S.B. 14-036 (Emergency Medical Services License Plate): Creates the Emergency Medical Services (EMS) special license plate. For FY 2014-15 appropriates \$10,040 cash funds to the

JBC Staff Budget Briefing: FY 2015-16
Staff Working Document – Does Not Represent Committee Decision

Department of Revenue for computer programming and license plate costs. Reappropriates \$4,120 to the Governor's Office of Information Technology to perform the programming.

S.B. 14-041 (USS Colorado Submarine License Plate): Creates the USS Colorado special license plate. For FY 2014-15 appropriates \$5,778 cash funds to the Department for computer programming and license plate costs. Reappropriates \$4,120 to the Governor's Office of Information Technology to perform the programming.

S.B. 14-073 (Brownfield Contaminated Land Income Tax Credit): Creates an income tax credit for individuals, organizations, and qualified entities that perform any approved environmental remediation of contaminated property. The tax credit is limited to 40.0 percent of the first \$750,000 expended for the approved remediation. For FY 2014-15 appropriates \$58,710 General Fund to the Department for computer programming costs. For additional information on S.B. 14-073, see the "Recent Legislation" section for the Department of Public Health and Environment.

S.B. 14-075 (Deployed Military Motor Vehicle Fees and Taxes): Exempts members of the United States armed forces who are Colorado residents and deployed outside of the U.S. for a full year from paying certain motor vehicle registration fees. For FY 2014-15 appropriates \$116,858 total funds, including \$12,828 General Fund and \$104,030 cash funds to the Department of Revenue for FY 2014-15. Reappropriates \$104,030 to the Governor's Office of Information Technology to perform the programming. For additional information on S.B. 14-075, see the "Recent Legislation" section for the Department of Education.

S.B. 14-087 (Identification Cards Issuance Standards): Requires the Department to report to the Transportation Legislation Review Committee (TLRC) of the General Assembly each year regarding the effectiveness of exceptions processing. For FY 2014-15 appropriates \$43,260 General Fund to the Department and reappropriates the same amount to the Governor's Office of Information Technology to perform the programming.

S.B. 14-129 (Marijuana Criminal Provision Clean-up): Makes changes to a number of laws related to criminal penalties for offenses involving marijuana, including adding consumption and possession of marijuana and possession of marijuana paraphernalia to the crime of underage possession or consumption of alcohol and changing the associated penalty structure. Appropriates \$4,120 cash funds from the Marijuana Cash Fund to the Department of Revenue for FY 2013-14 to make related changes to its driver license system, and appropriates \$4,120 reappropriated funds to the Governor's Office of Information Technology for the provision of computer center services. For additional information on S.B. 14-129, see the "Recent Legislation" section for the Department of Human Services.

S.B. 14-161 (Update Uniform Election Code of 1992): The "Voter Access and Modernized Elections Act", enacted in 2013, made various changes to the "Uniform Election Code of 1992". To facilitate implementation of that act and the conduct of elections generally, the bill makes various corrections, clarifications, and alterations to the code. Appropriates \$30,000 General Fund to the Department for FY 2013-14. For additional information on S.B. 14-161, see the "Recent Legislation" section for the Department of State.

S.B. 14-194 (Issuance of Identification Documents by the Department of Revenue): Amends the laws guiding the issuance of identification documents including:

- defines exceptions processing and requires that by September 1, 2014, the Department of Revenue (DOR) provide in-person exceptions processing services in at least four regional offices that are operated by the DOR and that issue driver's licenses;
- establishes increased fees for the issuance of driver's licenses, instructional permit applications, duplicate permits and duplicate minor's driver's licenses, identification cards, and commercial driver's licenses;
- authorizes the DOR to assess an additional fee for the issuance of a driver's license when an applicant retakes the knowledge or driving exam;
- authorizes the DOR to raise or lower fees established in statute related to the issuance of driver's licenses and identification cards, except that the DOR cannot increase fees by more than 20 percent in FY 2015-16, and by not more than 5 percent beginning in FY 2016-17 and each year thereafter;
- requires that if a rule is created to raise a fee, the rule and fee will not take effect until 30 days after the DOR has submitted a report to the JBC listing the fee to be changed, the amount by which it will be changed, and an explanation and analysis for why the increase is needed;
- eliminates the Identification Security Fund within the Highway Users Tax Fund (HUTF), transfers all unexpended and unencumbered balances to the Licensing Services Cash Fund (LSCF) on the effective date of the bill, and allocates moneys previously allocated to the security fund to the LSCF;
- eliminates the Motorist Insurance Identification Account within the HUTF and reallocates the motorist insurance identification fee to the Colorado State Titling and Registration System Account (CSTARS) within the HUTF;
- specifies that any unexpended or unencumbered balances in the CSTARS Account or in the License Plate Cash Fund (LPCF) remain in those funds at the end of any fiscal year;
- modifies the allocation of the driver's license restoration fee to distribute \$73 to the Driver's License Administrative Revocation Account of the HUTF, and \$22 to the First Time Drunk Driving Offender Account of the HUTF (currently \$60 and \$35, respectively); and
- allows eligible applicants for driver's licenses and identification cards to renew the card electronically for two consecutive renewal periods.

For FY 2014-15 appropriates \$191,651 General Fund and 2.7 FTE to the Department of Revenue and reappropriates \$6,077 to the Governor's Office of Information Technology for computer programming costs.

S.B. 14-215 (Disposition of Legal Marijuana Related Revenue): Creates the Marijuana Tax Cash Fund (MTCF) and directs that all sales tax moneys collected by the state starting in FY 2014-15 from retail and medical marijuana to be deposited in the MTCF instead of the Marijuana Cash Fund (MCF). All moneys attributable to fees will continue to be deposited in the MCF. The bill specifies the programs that can receive appropriations out of the MTCF and the MCF. The bill also transfers the balance of marijuana sales tax revenues previously collected in the MCF to the MTCF on July 1, 2014. Limits appropriations from the MTCF to moneys received

JBC Staff Budget Briefing: FY 2015-16
Staff Working Document – Does Not Represent Committee Decision

in the prior fiscal year (cannot appropriate revenues in the fiscal year in which they are received) except that the Department of Revenue is allowed to receive appropriations from current year revenues for direct and indirect costs related to the regulation and enforcement of the marijuana industry; limits the total amount that the General Assembly can appropriate out of the MTCF starting with appropriations for FY 2015-16 to 93.5 percent of moneys in the fund available for appropriation.

Moneys in the MTCF can initially be appropriated based on the most recent Legislative Council Staff (LCS) or Office of State Planning and Budgeting (OSPB) forecast for the following purposes:

- For the study of law enforcement's activity and costs related to the implementation of the laws legalizing retail marijuana;
- For the coordination of the executive branch response to the legalization of retail marijuana;
- To increase the expertise and knowledge among prosecutors and law enforcement officials regarding the legal and regulatory issues surrounding the legalization of marijuana;
- To obtain health data, through surveys or other means, regarding marijuana and other drug use and to monitor the health effects of marijuana, including changes in drug use patterns and the emerging science and medical information relevant to the health effects associated with marijuana use;
- To advance roadside impaired driving enforcement training and drug recognition expert training for peace officers;
- To develop and implement marijuana education and prevention campaigns;
- To provide inpatient treatment for adults who suffer from co-occurring disorders at the Colorado mental health institute at Pueblo;
- To increase the availability of school-based prevention, early intervention, and health care services and programs to reduce the risk of marijuana and other substance use and abuse by school-aged children;
- For community based programs to provide marijuana prevention and intervention services to youth;
- For local judicial district-based programs to provide marijuana prevention and intervention services to pre-adjudicated and adjudicated youth;
- To expand the provision of jail-based behavioral health services in underserved counties and to enhance the provision of jail-based behavioral health services to offenders transitioning from jail to the community to ensure continuity of care;
- For the provision of substance use disorder treatment services for adolescents and pregnant women; and
- To provide child welfare training specific to issues arising from marijuana use and abuse.

Specifies the permissible uses of the moneys in the MTCF, including:

- [Section 3] Creates the school health professional grant program in the department of education to provide matching grants to education providers to enhance the presence of school health professionals in secondary schools throughout the state and to facilitate better

JBC Staff Budget Briefing: FY 2015-16
Staff Working Document – Does Not Represent Committee Decision

screening, education, and referral care coordination for secondary school students with substance abuse and other behavioral health needs;

- [Section 4] Creates the office of marijuana coordination in the governor's office to coordinate the executive branch response to the legalization of marijuana;
- [Section 5] Requires the department of public health to conduct 2 marijuana education and prevention campaigns, each with a specified purpose, and to create a web site to serve as the state portal for the most accurate and timely information regarding the health effects of marijuana and the laws regarding marijuana use;
- [Section 6] Creates the school-based substance abuse prevention and intervention grant program in the department of health care policy and financing to award competitive grants to entities to provide school-based prevention and intervention programs for youth 12 to 19 years of age, primarily focused on reducing marijuana use, but including strategies and efforts to reduce alcohol use and prescription drug misuse; and
- [Section 7] Expands the purposes of the Tony Grampsas youth services program, created in the department of human services, to include community-based programs specifically related to the prevention and intervention of adolescent and youth marijuana use.

Continues for FY 2013-14 and FY 2014-15 the transfer of \$2.0 million of sales tax revenues to the General Fund to offset General Fund expenditures for the Department of Human Services' "Circle Program" and the Department of Health Care Policy and Financing Screening, Brief Intervention, and Referral for Treatment for Substance Abuse ("SBIRT") Program. Starting in FY 2015-16, the bill authorizes the General Assembly to appropriate moneys from the MTCF to support the Circle Program.

For FY 2014-15 appropriates \$24.9 million total funds, including \$4.0 million General Fund and \$18.5 million from the MTCF for new programs authorized in the bill (Section 13). Appropriates \$8.2 million from the MTCF for existing programs that previously received appropriations out of the MCF (Section 12). Transfers \$6.3 million from the MTCF to the General Fund for the CIRCLE and SBIRT programs as well as for two new school-based prevention and intervention services program and the school-based early intervention and prevention substance abuse grant program (Section 2).

SB 14-215 Appropriations and Transfers for New Programs

| Agency | | Total | General Fund | Marijuana Tax Cash Fund | Federal Funds | FTE | Purpose |
|--------|-----|-------------|--------------|-------------------------|---------------|-----|---|
| EDU | (1) | \$2,500,000 | \$0 | \$2,500,000 | \$0 | 1.0 | Behavioral health issues in public schools. |
| GOV | (2) | 190,097 | 0 | 190,097 | 0 | 2.0 | Drug policy office creation. |
| HCP | (3) | 4,363,807 | 2,000,000 | 0 | 2,363,807 | 0.0 | School-based prevention and intervention services. |
| HCP | (4) | 2,000,000 | 2,000,000 | 0 | 0 | 0.0 | School-based early intervention and prevention substance abuse grant program. |
| HUM | (5) | 2,000,000 | 0 | 2,000,000 | 0 | 0.0 | Tony Grampsas program grants for prevention. |
| HUM | (6) | 1,500,000 | 0 | 1,500,000 | 0 | 0.0 | Substance use disorder treatment services for adolescents and pregnant women. |
| HUM | (7) | 2,000,000 | 0 | 2,000,000 | 0 | 0.0 | Expansion and enhancement of jail-based behavioral health services. |
| HUM | (8) | 2,000,000 | 0 | 2,000,000 | 0 | 0.0 | Enhancement of S.B. 91-094 programs. |

JBC Staff Budget Briefing: FY 2015-16
Staff Working Document – Does Not Represent Committee Decision

| SB 14-215 Appropriations and Transfers for New Programs | | | | | | | |
|--|------|---------------------|--------------------|-------------------------|--------------------|-------------|---|
| Agency | | Total | General Fund | Marijuana Tax Cash Fund | Federal Funds | FTE | Purpose |
| LAW | (9) | 456,760 | 0 | 456,760 | 0 | 2.0 | Development of in-house expertise on regulations. |
| LAW | (10) | 1,168,000 | 0 | 1,168,000 | 0 | 1.0 | Peace Officers Standards and Training Board expanded training activities. |
| PBH | (11) | 5,683,608 | 0 | 5,683,608 | 0 | 3.7 | Public awareness campaign. |
| PBH | (12) | 903,561 | 0 | 903,561 | 0 | 1.5 | Health Kids Colorado survey. |
| HUM | (13) | 100,000 | 0 | 100,000 | 0 | 0.0 | Child welfare training. |
| Section 13 Subtotal | | \$24,865,833 | \$4,000,000 | \$18,502,026 | \$2,363,807 | 11.2 | |
| Section 12 Subtotal | | \$8,156,371 | \$0 | \$8,156,371 | \$0 | 0.0 | Adjustments to 2014 Long Bill |
| | | 2,000,000 | 0 | 2,000,000 | 0 | 0.0 | Transfer to General Fund for CIRCLE and SBIRT |
| | | 4,260,000 | 0 | 4,260,000 | 0 | 0.0 | Transfer to General Fund for HCP Sect. 13 (3) and HCP Sect. 13 (4) programs, as well as a 6.5 percent (\$260,000) General Fund reserve. |
| Section 2 Subtotal | | \$6,260,000 | \$0 | \$6,260,000 | \$0 | 0.0 | |
| Sections 2, 12, 13 Total | | \$39,282,204 | \$4,000,000 | \$32,918,397 | \$2,363,807 | 11.2 | |

H.B. 14-1003 (Nonresident Disaster Relief Worker Tax Exemption): Allows a state withholding tax exemption for nonresident taxpayers who performed disaster-related work during a disaster period in the state. The withholding exemption is available beginning in tax year 2015. For FY 2014-15 appropriates to the Department \$30,900 General Fund.

H.B. 14-1006 (Tax Remittance for Local Marketing Districts): Changes the filing and remittance deadlines for lodging taxes levied by a local marketing district from quarterly remittance to monthly remittance starting July 1, 2014. For FY 2014-15 appropriates \$14,811 General Fund to the Department.

H.B. 14-1012 (Advanced Industry Investment Income Tax Credit): Repeals the Colorado Innovation Investment Income Tax Credit and replaces it with the Advanced Industry Investment Income Tax Credit. The total amount of the tax credit shall not exceed \$375,000 for the 2014 calendar year and \$750,000 for each of the 2015, 2016, and 2017 calendar years. For FY 2014-15 appropriates \$16,480 General Fund to the Department of Revenue. For additional information on H.B. 14-1012, see the "Recent Legislation" section for the Governor's Office.

H.B. 14-1029 (Disabled Parking License Plate Placards): Repeals and reenacts the laws governing reserved parking for persons with disabilities and makes clarifying changes to the Program. For FY 2014-15 appropriates \$84,147 total funds, including \$66,689 General Fund and \$17,458 cash funds, to the. Reappropriates \$4,120 to the Governor's Office of Information Technology.

JBC Staff Budget Briefing: FY 2015-16
Staff Working Document – Does Not Represent Committee Decision

H.B. 14-1034 (Wine Packaging Permits): Creates the wine packaging permit to a licensed winery to package wine manufactured by another winery, and the permit also allows a wine wholesaler to package wine. For FY 2014-15 appropriates \$5,202 cash funds to the Department and reappropriates \$4,120 to the Governor's Office of Information Technology.

H.B. 14-1066 (County Clerk and Recorder Driver's License Fee): Adjusts the amount of a driver's license fee that may be retained by a county clerk when issuing a driver's license in counties with a population of 100,000 people or fewer. Under current law, this amount is \$8; the bill increases this amount to \$13.60. For FY 2014-15 appropriates \$67,856 total funds, including \$61,264 General Fund and \$6,592 cash funds, to the Department and reappropriates \$6,592 to the Governor's Office of Information Technology.

H.B. 14-1072 (Income Tax Credit for Child Care Expenses): Creates a new child care tax credit for Colorado taxpayers who have a federal adjusted gross income (FAGI) of \$25,000 or less. The credit is equal to 25.0 percent of the taxpayer's child care expenses with a maximum amount of \$500 for a single dependent or \$1,000 for two or more dependents. For FY 2014-15 appropriates \$61,381 General Fund and 0.6 FTE to the Department.

H.B. 14-1100 (Motor Vehicle Title Branding): Requires that a branding be placed on the certificate of title of a motor vehicle, if the vehicle is non-repairable, is flood-damaged, has had the odometer tampered with, has an incorrect odometer, or has a designation placed on the title by another jurisdiction. For FY 2014-15 appropriates \$97,850 cash funds to the Department and reappropriates the \$97,850 to the Governor's Office of Information Technology.

H.B. 14-1178 (Sales and Use Tax Exemption for Property Used in Space Flight): Creates a sales and use tax exemption for tangible personal property used in space flight starting in FY 2014-15. Appropriates \$31,000 General Fund to the Department for FY 2013-14.

H.B. 14-1228 (Court-ordered Driving School Evaluation Repeal): Removes the requirement that the Department monitor, evaluate, and report on the curriculum and effectiveness of court-ordered driver improvement courses and eliminates the penalty surcharge imposed on persons who attend these courses. Repeals the Defensive Driving School Fund (Fund) and requires the State Treasurer to transfer any remaining fund balance to the General Fund on January 1, 2015. For FY 2014-15 decreases \$73,145 cash funds appropriation to the Department.

H.B. 14-1246 (Supplemental Bill): Supplemental appropriation to the Department of Revenue to modify FY 2013-14 appropriations included in the FY 2013-14 Long Bill (S.B. 13-230).

H.B. 14-1326 (Tax Incentives for Alternative Fuel Trucks): Changes three areas of tax policy affecting low-emission and alternative fuel vehicles. Creates a new income tax credit for innovative trucks, reduces the number of vehicles eligible to claim an existing sales and use tax exemption, and reduces the taxable value of certain vehicles for the purpose of calculating the specific ownership tax. For FY 2014-15 appropriates \$412 cash funds to the Department and reappropriates that amount to the Governor's Office of Information Technology.

JBC Staff Budget Briefing: FY 2015-16
Staff Working Document – Does Not Represent Committee Decision

H.B. 14-1327 (Expand Deployment of Broadband Technology): Sets statewide policy concerning the deployment of broadband technology. Specifically, the bill:

- creates a state rebate of state sales and use taxes paid on broadband equipment installed in target areas of the state;
- requires local government permitting of broadband facilities and certain wireless service facilities to adhere to new statutory deadlines, and to allow consolidation of applications for small cell networks;
- requires state and local government agencies, including coordination by the Department of Transportation, to provide notice of trenching activity to broadband providers, except in emergencies, and to regulate other aspects of trenching; and
- clarifies that broadband service providers may utilize public rights-of-way for broadband facilities to the same extent as other telecommunication providers.

For FY 2014-15 appropriates \$73,725 General Fund and 0.9 FTE to the Department.

H.B. 14-1336 (Long Bill): General appropriations act for FY 2014-15. Includes provisions modifying FY 2013-14 appropriations included in H.B. 13-1042 and H.B. 13-1318.

H.B. 14-1350 (Modifications to Regional Tourism Act): Changes the application process for Regional Tourism Act projects, and limits the amount of State sales tax increment financing that can be approved for each future project. For FY 2014-15 appropriates \$43,260 General Fund to the Department. For additional information on H.B. 14-1350, see the "Recent Legislation" section for the Governor's Office.

H.B. 14-1352 (Update Waste Tire Management System): Repeals and reenacts the state's waste tire laws into a new part of the solid waste statutes and makes changes to the Waste Tire Program. Modifies the distribution of the \$1.50 waste tire fee, consolidates several cash funds and creates three new cash funds, and specifies how the moneys in each cash fund are to be used. Reduces the waste tire fee to \$0.55 per tire beginning January 1, 2018, and repeals the End Users and Processors Rebate Program at that time. Requires the Department of Public Health and Environment to administer and collect the waste tire fee, among other duties in lieu of the Department of Revenue. Establishes new regulations for waste tire haulers, generators, processors, end users, collection facilities, mobile processors, used tire sellers, and waste tire monofills. Repeals the Waste Tire Advisory Committee. For FY 2014-15 appropriates \$43,867 cash funds to the Department of Revenue. For additional information on H.B. 14-1352, see the "Recent Legislation" section for the Department of Public Health and Environment.

H.B. 14-1361 (Regulation of Marijuana Concentrates): Requires that by January 1, 2016, the Department of Revenue promulgate rules establishing the equivalency of one ounce of retail marijuana flower in various retail marijuana products including retail marijuana concentrate. Prior to promulgating the rules, the Department may contract for a scientific study to determine such equivalency. Clarifies that a retail marijuana store may not sell more than one ounce of retail marijuana or its equivalent in retail marijuana products to a Colorado resident, or not more

JBC Staff Budget Briefing: FY 2015-16
Staff Working Document – Does Not Represent Committee Decision

than a quarter ounce of retail marijuana or its equivalent in marijuana products to a nonresident. For FY 2014-15 appropriates \$100,000 cash funds to the Department of Revenue.

H.B. 14-1367 (Autocycles, Motorcycles, & Motor Vehicles): Defines "autocycle" and removes this type of vehicle from classification and regulation as a motorcycle. For FY 2014-15 appropriates \$33,990 cash funds to the Department of Revenue and reappropriates that amount to the Governor's Office of Information Technology to make changes to the Colorado State Titling and Registration System.

Appendix C: Update on Long Bill Footnotes and Requests for Information

Long Bill Footnotes

- 1 All Departments except Department of Corrections and Department of Human Services, Totals -- It is the intent of the General Assembly that when each department applies the 3.0 percent salary survey increase reflected in the salary survey line item appropriations, each employee shall receive a base-building increase up to the range maximum, and that salary survey increase amounts over the range maximum shall not be base-building.

Comment: The Governor did not veto any footnotes in the Long Bill.

Requests for Information

None.

Appendix D: Indirect Cost Assessment Methodology

Description of Indirect Cost Assessment Methodology

The Department of Revenue indirect cost assessment methodology is calculated based on three components: an “*Indirect Cost Pool*”, an “*Indirect Cost Base*”, and an “*Indirect Cost Rate*”.

The *Indirect Cost Pool* is comprised of personal services expenses in the Executive Director's Office. In addition, for business group and divisional indirect costs, the *Indirect Cost Pool* for those divisions consist of personal services and operating expenses in the Administration Section/Division of those Business Groups/Divisions.

The *Indirect Cost Base* is comprised of the appropriations for personal services in each business group or division.

The *Indirect Cost Rate* is calculated either based on the number of FTE and/or the workload, where it can be identified. Because each division and cash fund may have different rates based on the number of FTE or workload, the number of different variations is not included here.

FY 2015-16 Indirect Cost Assessment Request

For FY 2015-16 the Department has requested \$4,703,760 for indirect cost assessments.

The Department adjusts its indirect cost assessments against cash funds so there is not a reduction in the total indirect cost assessment.

The table below shows the FY 2014-15 Department indirect cost assessment based on the November 1 request for each division.

| Department of Revenue Indirect Cost Assessment FY 2014-15 Request | |
|--|-----------------------|
| Division | Cash Funds |
| Taxation Business Group | \$10,290 |
| Division of Motor Vehicles | 2,825,053 |
| Enforcement Business Group | 1,425,271 |
| State Lottery Division | <u>443,146</u> |
| Total Indirect Costs Request | 4,703,760 |

Appendix E: LCS TABOR Refund Mechanism Memo



**Colorado
Legislative
Council
Staff**

ISSUE BRIEF

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TABOR REFUND MECHANISMS

by Greg Sobetski

This issue brief provides information on mechanisms used to refund revenue in excess of the state's constitutional spending limit. For information on the state spending limit and how it is calculated, please refer to Issue Brief 14-03A.

The spending limit established in the Taxpayer's Bill of Rights (TABOR) has capped state revenue during 15 of the last 20 fiscal years. To date, there have been six years in which revenue exceeded the spending limit, most recently during FY 2004-05. The legislature may determine statutorily how the excess revenue is refunded. Over the course of TABOR's history, there have been 21 different refund mechanisms. Under current law, there are three: the six-tier sales tax refund, the earned income tax credit (EITC) refund mechanism, and the temporary income tax rate reduction. A description of each refund mechanism follows.

State revenue forecasts do not anticipate any TABOR refunds through at least FY 2015-16, the last year of the revenue forecasting period. However, the difference between the forecast and the projected limit is within forecast error in both FY 2014-15 and FY 2015-16, indicating that a refund is possible.

Figure 1 shows how a TABOR surplus would be refunded under current law based on the size of the surplus. Amounts are for FY 2014-15, based on the June 2014 Legislative Council Staff forecast.

Six-Tier Sales Tax Refund

This refund mechanism allows taxpayers to receive a state sales tax refund based on where their adjusted gross income falls within six adjusted gross income tiers. The Department of Revenue sets the income level for each tier so that all tiers contain the same number of taxpayers. It then computes the dollar amount of each tier's refund by allocating to each tier a proportion of the total amount to be refunded equal to the tier's share of state taxable income. The refund is distributed to the six tiers when the TABOR surplus is large enough to support at least a \$15 refund for each Colorado income taxpayer. If the surplus is less than \$15 per taxpayer, an equal refund is provided to each taxpayer, regardless of income.

The six-tier sales tax refund mechanism can be viewed as both the first and the last refund mechanism. It may be the first and only refund triggered in a year when the TABOR surplus is not sufficient to trigger other mechanisms. This was the case in FY 2004-05. In years when the surplus is large enough to trigger other refund mechanisms, the sales tax refund distributes any revenue beyond what is refunded by the other mechanisms.

EITC Refund Mechanism

The Colorado EITC is based on the federal EITC, which provides a tax credit to individuals who work but do not earn high incomes. Qualifying Colorado taxpayers may receive up to 10 percent of the federal credit amount in years of revenue surplus. Colorado taxpayers who claim the federal credit may claim the state credit. To qualify for the EITC in tax year 2013, earned income and adjusted

gross income for individuals must each be less than:

- \$46,227 (\$51,567 married filing jointly) with three or more qualifying children;
- \$43,038 (\$48,378 married filing jointly) with two qualifying children;
- \$37,870 (\$43,210 married filing jointly) with one qualifying child; or
- \$14,340 (\$19,680 married filing jointly) with no qualifying children.

The EITC refund mechanism is triggered when the surplus exceeds a threshold amount. The threshold is increased each year by the growth in Colorado personal income. In FY 2014-15, if the amount of the refund exceeds \$97.7 million, the EITC will be triggered.

Senate Bill 13-001 establishes a permanent EITC to replace the EITC refund mechanism. The permanent EITC begins the year following the first year the EITC refund mechanism is triggered.

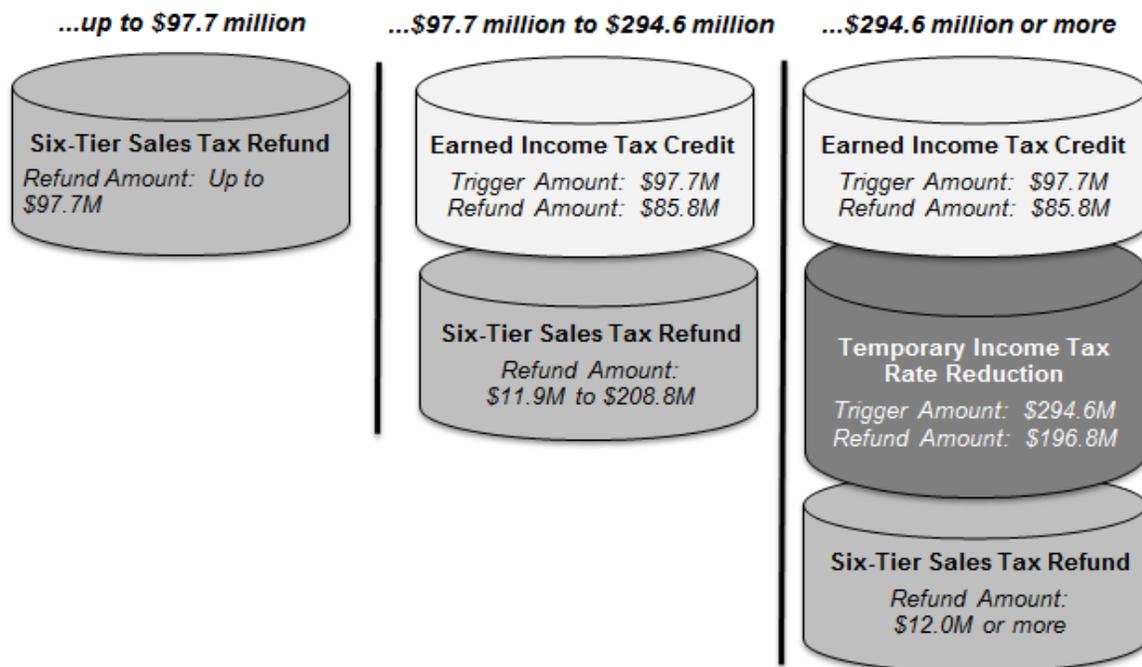
Temporary Income Tax Rate Reduction

Under the temporary income tax rate reduction mechanism, the state income tax rate would be temporarily reduced from the current rate of 4.63 percent to 4.50 percent. The rate reduction will occur in the tax year following the fiscal year in which there is a surplus. For example, if there were a surplus in FY 2014-15, the income tax rate would be reduced in tax year 2015, and would return to 4.63 percent in tax year 2016.

The temporary income tax rate reduction is triggered when the state experiences a surplus equal to at least the EITC refund mechanism trigger plus the projected amount of the income tax rate reduction. As Figure 1 shows, this amount is projected to be \$294.6 million for FY 2014-15 (a \$196.8 million tax rate reduction plus the \$97.7 million EITC threshold).

Figure 1. Example Refund Scenarios Under Current Law

*If, in FY 2014-15, the TABOR surplus is...**



Source: Dollar amounts are based on the June 2014 Legislative Council Staff forecast.

*This figure is for illustrative purposes. Revenue is not expected to exceed the Referendum C cap in FY 2014-15. If there were to be a TABOR surplus in FY 2014-15, the refund would occur in FY 2015-16 for tax year 2015.